U.S. News & World Report

MAY 6, 1955 20 CENTS

IKE'S PLAN TO AVOID A WAR

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The President's Economic Adviser, Arthur F. Burns, Forecasts—

The Business Future of America

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Important supplies of power, metals, petroleum products and natural gas are being delivered by seven newly-completed facilities. Their combined value exceeds 275 million dollars.

Diversified in type and located in widely separated parts of the world, these projects illustrate Bechtel engineering and construction in action:

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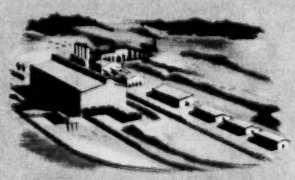
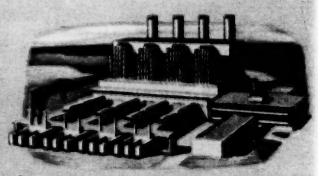
ADEN PETROLEUM REFINERY— 120,000 barrels per stream day, completed in 21 months at a remote location for The British Petroleum Company, Limited, by Bechtel-Wimpey.

FERNDALE MOBILGAS REFINERY—a major plant, first in the State of Washington, heralds new industrial era now opening in Pacific Northwest. 35,000 bpd.; for General Petroleum Corporation.



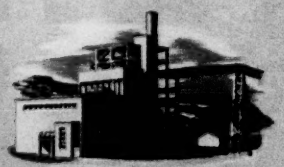
HANNA NICKEL SMELTER —first large smelter to produce ferro-nickel in the U. S. Will ultimately produce at least 16 million pounds of contained nickel per year from local Oregon deposits.

PITTSBURG STEAM PLANT— 600,000 kilowatts, is a prime example of progress in the design of steam-electric generating plants. Dedicated by Pacific Gas and Electric Company on October 20, 1954.



VERMILION VALLEY DAM—high in the California Sierra, at the head of Southern California Edison Company's Big Creek System, will store 125,000 acre feet, providing additional water for hydro-electric power.

CARBON STEAM PLANT — a new 66,000 kilowatt unit in Utah Power & Light Company's expanding system, is located in the heart of the coal country. One of four consecutive contracts placed by UPL with Bechtel.



NIAGARA-TORONTO NATURAL GAS PIPE LINE — the first unit in the great 2,200 mile Trans-Canada Pipe Lines Limited system which will bring Alberta natural gas to Ontario and Quebec.

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Learn about wages

from the so-called "Prohibition Era"

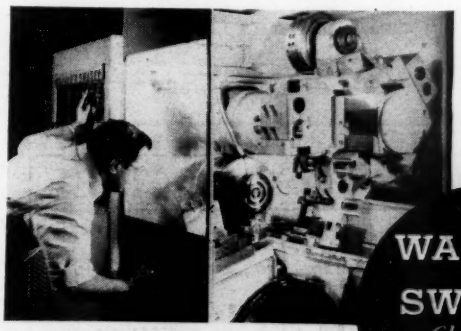
IN 1920, 95% of the area of the United States was "dry"—liquor had been made illegal by the cooperative effort of the people in those communities.

Then a small group of zealots seized the First War as an opportunity to make the whole nation dry by law. The ghastly era of the bootlegger, gangster, hoodlum followed.

* * * *

Wages, working conditions, security of American workmen are now steadily improving in an orderly, sound manner as everyone wants them to do. But a few leaders are trying to force the "guaranteed annual wage" for reasons of their own. When asked how it could work in a seasonal industry, they duck that sensible question by attacking the questioner.

Drastic changes move surely but slowly. Try to speed them too much and they're wrecked, as was prohibition. That sort of fanaticism in wages, that refusal to face sober truth, could set today's great progress of the worker back a hundred years.



Setting up a 2AC Single Spindle Automatic for machining a large pump part

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IN THIS ISSUE

★ What Are Chances For Peace Now?

Latest U. S. terms for talks with Red China, as presented by Secretary Dulles—page 82. For a textual account of peace moves—from Bandung to Washington—page 98. For President Eisenhower's "peace" formula, as explained at his press conference, page 25. And, for the story of a new meeting of minds "at the summit," page 24.

★ Another Dust Bowl? Secretary Benson's Views

Is drought this year presaging a return of the vast "dust bowl" of the '30s? Will thousands lose their farms again? See this exclusive interview with Secretary Benson, page 26.

★ Job Bonanza for College Graduates

It's a banner year for 1955 college graduates. Jobs are plentiful, pay is high. A telegraphic survey of college placement officers gives you the up-to-date picture. Page 51.

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WORLD REPORT
U. S. WEEKLY
Three Titles Reg. U. S. Pat. Off.

Published weekly at Washington, D. C., Editorial and Executive Offices, the United States News Building, 24th & N Streets, N.W., Washington 7, D. C. Subscription rates, delivered prepaid, to United States, its possessions and Canada, $5 for one year, $8 for two years, $10 for three years. Postage to other countries $1 a year additional. Entered as second-class matter at the post office Washington, D. C., under the act of March 3, 1879.

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Alan Press, Traffic Manager of Screen Gems, Inc., TV subsidiary of Columbia Pictures Corp., tells:

"Why Rin Tin Tin is never late!"

"Every Thursday, kids are waiting for Rin Tin Tin in Miami, Fla., and Bay City, Mich., and fifty-three other cities. They'd be awfully disappointed if he didn't show up.

"How do we get him there? It's simple," says Alan Press.

"We ship him on film – by Air Express. We also meet rigid schedules for our other TV network shows: Ford Theater, Captain Midnight and Damon Runyon Theater. All told, over 200 unbreakable dates to meet every week.

"Using Air Express *exclusively,* we've never missed a single show!

"Yet, we save real money with Air Express. It costs $3.78, for instance, on our typical 10-lb. shipment from New York to Bay City. It's the lowest of all – $1.37 less than by the next lowest-priced air service."

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The March of the News

ARMS-PLANT DISPERSAL

GUIDED-MISSILE and aircraft plants of the future will be located inland, away from both East and West coasts, Air Secretary Harold E. Talbott told a news conference. Cities where there is no heavy concentration of industry will get first preference when the Air Force hands out contracts for over a billion dollars' worth of missiles in the fiscal year starting July 1.

Earlier, Mr. Talbott set off a furor in California by telling a congressional committee that the concentration of aircraft industry in California was "dangerous," both securitywise and economically. To reporters, he added that he "certainly would not put a big plant in Detroit," since the aim was to locate new defense construction away from congested areas.

West Coast aircraft manufacturers, such as Douglas, Lockheed, North American, Boeing and Convair would not be asked to decrease their present West Coast activity or employment, the Secretary emphasized. But they would be expected to do any expanding elsewhere, "probably" in the Middle West.

CRIMINALS SLOW TO GO

AMERICANS who sat riveted to their TV sets to watch the Kefauver crime investigation nearly four years ago got a new report on the results of that probe.

Four persons named in the hearings have been deported from the U.S., a Senate committee reported. They are: Charles Carrollo, James Di Simone and Jasper Matranga, all of New York, and Onofrio Minaudo, of Miami. A fifth—Nicholas Circella—has been ordered deported to Argentina, and deportation proceedings are pending against 38 others.

Senator Estes Kefauver (Dem.), of Tennessee, who sparked the investigation, said he was not generally critical of the Government's slow pace in moving against underworld figures, because of the lengthy legal proceedings involved. But, he told reporters, one case had been "badly handled."

"TREMENDOUS TRIFLE"

DEFENSE OFFICIALS talked back to a Hoover Commission task force which criticized waste and inefficiency in the military services.

Conceding that most of the major recommendations of the Hoover group were excellent, the military officials found fault with the "horrible examples" cited by the Commission.

Defense Secretary Charles E. Wilson said some of the charges of waste amounted to a "tremendous trifle" and called on his assistants to set the record straight.

Assistant Defense Secretary Thomas P. Pike had this to say: "The listing of atrocities, some of which are old, many of which are not factual, and many of which are misleading, I think is an unfortunate thing. . . ."

And Navy Secretary Charles S. Thomas said the Navy's supply of canned hamburger would last less than four years—not 60 years, as estimated by the Hoover group. Navy spoilage losses, he said, were less than a third of 1 per cent—lower than in the average restaurant.

AID FOR SMALL FARMERS

THE SMALL FARMER and the part-time farmer are to get federal attention under the newest White House farm program. President Eisenhower is asking Congress for expanded aid to 1.5 million farm families whose cash incomes are less than $1,000 per year.

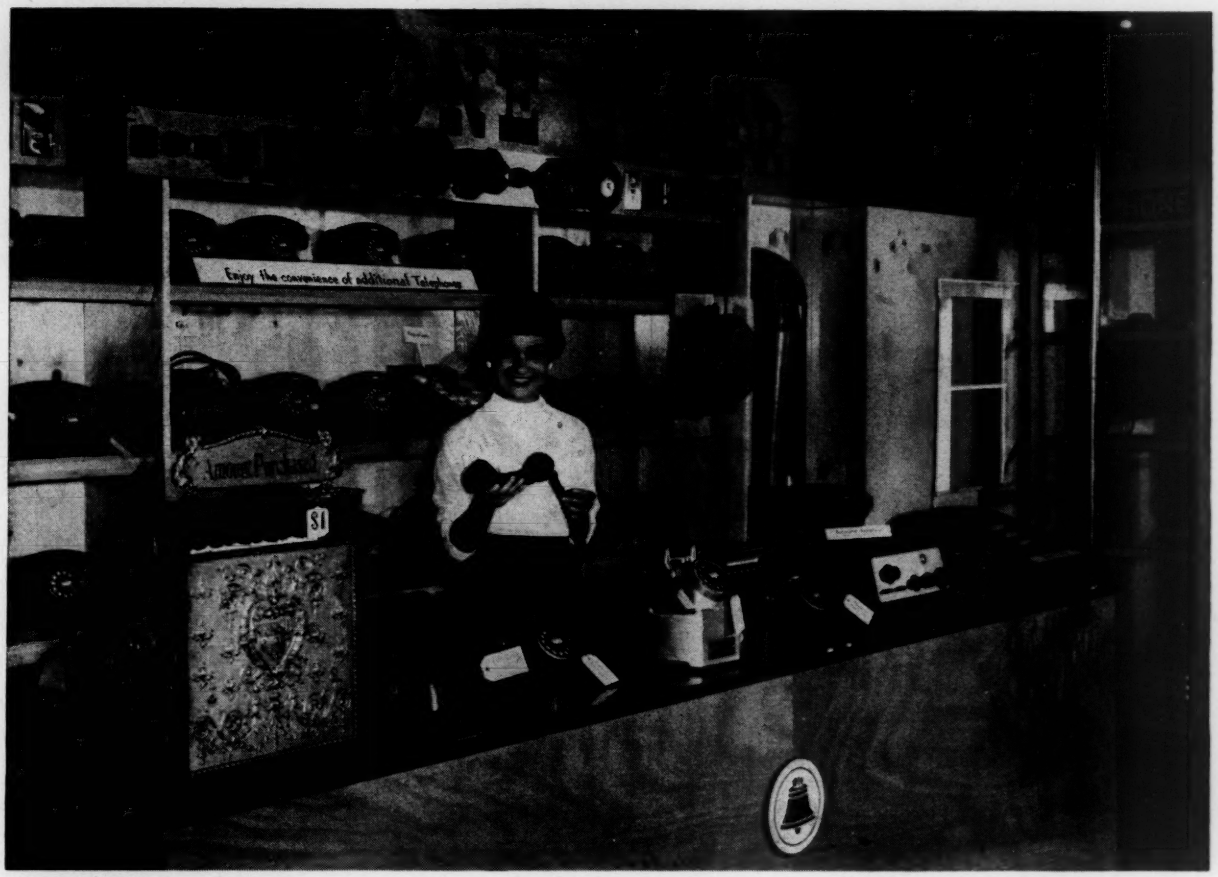
Low-income farms are largely concentrated in a belt stretching from east Texas to Pennsylvania. Idea is for federal, State and local governments to help marginal farmers in one of two ways: Either the farms will be made to pay enough to support the farmer and his family, or the farmers will be aided in moving to a city job.

For farmers whose land can be made to pay, easier credit, education, research and technical help will be available. Those whose land is hopeless will get information on city-job prospects and, in some cases, job training. State and local programs to bring new industry into farm areas also will be encouraged.

Secretary of Agriculture Ezra T. Benson plans a "long-range" approach, with "pilot operations" to start next year in 50 counties.

BIG-POWER TALKS

BRITAIN'S PRIME MINISTER, Sir Anthony Eden, was proving less insistent than his predecessor, Sir Winston Churchill, for "talks at the summit" seeking an end to "cold war." Sir Anthony told the House of Commons he was perfectly ready to meet Soviet Premier Nikolai Bulganin, but added that Britain was ready for talks "on any level." So far, he added, no direct approach has been made to Moscow on the subject.



COMPLETE TELEPHONE SERVICE. This "general store" displays some of the many kinds of equipment to meet different telephone needs. The exhibit shows the advantages of complete telephone service for home and business. Another new feature is the *Airlight* Outdoor booth.

A Year of Progress and of New Things in Telephone Service

Some interesting highlights from the 1954 Annual Report of A. T. & T.

To meet the increasing communications needs of the public, business and the nation, the Bell System spent $1.4 billion for new and improved facilities in 1954.

1,967,000 telephones were added, compared with 1,900,000 in 1953. Long Distance calling set new records.

A million more telephones were changed to dial. Eighty-four per cent of all Bell telephones are now dial-operated.

Operators now dial more than half of all Long Distance calls straight through to the distant number. People in a number of places can also dial many of their distant calls.

The average time for completing out-of-town calls dropped to 1.4 minutes, and 97 out of every 100 calls went through while the calling party stayed on the line. By these and other measures service was the best on record.

We started work on the first undersea voice cable to Europe, equipped our main TV network routes to carry color programs and invented a device to convert sunlight directly into electricity.

The Western Electric Company and Bell Telephone Laboratories, our manufacturing and research organizations, undertook major new defense assignments at the Government's request.

The prospect ahead is for another busy year, and for even greater progress toward meeting and anticipating the wants of telephone users.

We'll be glad to send you a copy of the Annual Report . . . American Telephone and Telegraph Company, 195 Broadway, New York 7, N. Y. EXchange 3-9800, Extension 2151.

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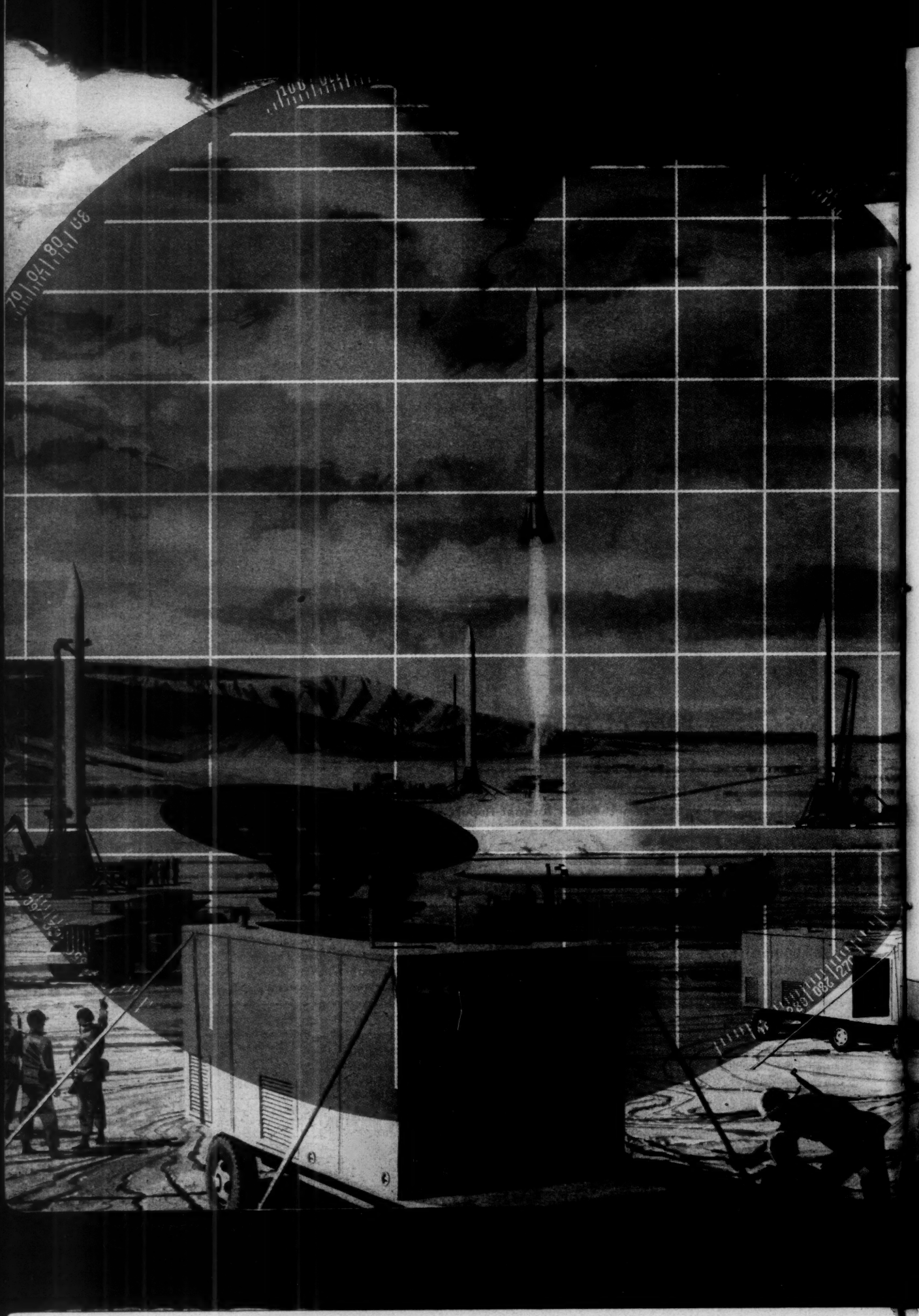


GUIDING THE "CORPORAL"

ELECTRONIC GUIDANCE IS THE SECRET OF THE CORPORAL'S ACCURACY

The U. S. Army required a ground-to-ground missile capable of delivering an atomic warhead at supersonic speed — accurately–to a target beyond the range of artillery. Army Ordnance awarded four prime contracts for this project:

PRIME CONTRACT–RESEARCH
Jet Propulsion Laboratory, California Institute of Technology
Basic research and development covering all facets of total problem.

PRIME CONTRACT–DEVELOPMENT
Gilfillan Bros., Inc.
Improvement, simplification of ground and airborne electronic equipment.

PRIME CONTRACT–PRODUCTION: MISSILE
Firestone Tire & Rubber Co.
Missile and missile handling equipments.

PRIME CONTRACT–PRODUCTION: GROUND GUIDANCE SYSTEM
Gilfillan Bros., Inc.
Complete ground guidance system.

RESULT: *The Army's "Corporal," ground and airborne equipment. In full production; delivery being made to troops.*

Today's missiles are superior to yesterday's mechanically timed rockets for one reason—electronic *guidance.*

It is electronics research and the electronics industry that put the guidance into the guided missiles . . . that share the major responsibility of keeping America first in guided missiles.

Primary credit for the "Corporal" is due to the basic research achievements of the engineers and scientists of the Jet Propulsion Laboratory at the California Institute of Technology. Gilfillan is proud to have been awarded a prime contract to assist in the development and do the production of the vital electronic guidance system.

In the electronics industry, Gilfillan is a recognized leader. Gilfillan's ability to carry on from basic research comprehensively—to approach a total problem as a whole and achieve a whole solution—has been thoroughly proven in GCA Radar, the "Corporal" guidance system, and is now being further demonstrated in top secret projects in a number of fields.

Today and Tomorrow
Comprehensive Research and Development

GCA RADAR AND ELECTRONICS
Gilfillan
LOS ANGELES
GCA
AROUND THE WORLD

Washington Whispers®

[Items appearing on this page are reported in Washington and other news centers]

More U. S. Jets for Chiang . . . Will George Succeed Dulles? . . . Polls Show Labor Is Gaining in Britain

President Eisenhower is reported by White House aides to have said flatly that the United States will fight no more "little wars." The President is pictured as adamant in a determination not to get American forces involved in fighting that could flare over islands just off the China coast.

★ ★ ★

A close friend of the President, a former military associate, is privately expressing the opinion that the United States will be involved quickly if Communists move to take the island groups of Quemoy and Matsu. There is some indication that the President believes in a policy of confusion on the issue of when U. S. might fight and when it might not.

★ ★ ★

Adm. Arthur Radford, Chairman of the U. S. Joint Chiefs of Staff, did not press Chiang Kai-shek to give up the island groups of Quemoy and Matsu to the Communists, despite reports to the contrary. The Admiral assured the anti-Communist Chinese of a step-up in delivery of jet aircraft for defense use.

★ ★ ★

U. S. military appraisers say that the Communists, if U. S. does not take a hand, soon will be strong enough to take the Matsu island group without an exorbitant expenditure of manpower. Morale of the anti-Communist forces is reported to be in question as the prospect of returning to the Chinese mainland fades.

★ ★ ★

Senator William Knowland, Republican Senate Leader, is aware of talk among some White House aides that a move is going to shape up to replace him in this Leadership post because of his differences with the President on U. S. policy in the Far East. Other Republican Senators express the opinion that the White House could command very little Senate support for any move of that kind.

Senator Walter George of Georgia, Democrat and chairman of the Senate Foreign Relations Committee, probably would be Mr. Eisenhower's choice for Secretary of State if John Foster Dulles stepped out for any reason. The President is said to feel that the Georgia Senator has a faculty for resolving issues on a common-sense basis that people can understand readily.

★ ★ ★

President Eisenhower and Secretary Dulles both are at a loss to know exactly what personality really is on top in Communist Russia at this time. Nobody now knows who represents the "summit" in what once was an iron-handed dictatorship.

★ ★ ★

Afghanistan is expected by U. S. military leaders to be the next trouble spot in the "cold war." Russians have come into the country in large numbers and are pushing for the formation of a new state that would lay claim to a slice of Pakistan. The Afghans are known as good fighters and have given the British trouble in the past.

★ ★ ★

Russia changed her propaganda line —from emphasis on the horrors that Russia could inflict in war with H-bombs and A-bombs to the great benefit that the atom might be to mankind—when Russian leaders discovered that people were becoming frightened by the Government's own war stories.

★ ★ ★

Ike was simply trying to keep from giving the impression of a man who expects to serve another term when he went so strong in the other direction and said that 21 months, at his age, seemed like a long time. Democrats immediately concluded President Eisenhower was counting the months until he could retire on Jan. 20, 1957, at the end of his first term.

It probably will take a real "draft" and added pressures as well to induce President Eisenhower to run again. Republicans, as of now, plan both the draft and the pressure.

★ ★ ★

Leonard Hall, Chairman of the Republican National Committee, is discovering that Republican Senators continue to be very unhappy about the number and quality of patronage jobs that are being opened to party members. Some Senators insist that Democrats have an edge over Republicans when job selections are made.

★ ★ ★

Ezra Benson, Secretary of Agriculture, no longer feels that there is much prospect of trading U. S. surplus products to Russia for things that the Russians might be able to offer. Russia is having trouble carrying out trade deals entered into in the past.

★ ★ ★

Gen. Maxwell Taylor, U. S. and U. N. commander in the Far East, a paratrooper and accomplished linguist, is scheduled to succeed Gen. Matthew Ridgway as Army Staff Chief when General Ridgway retires in August.

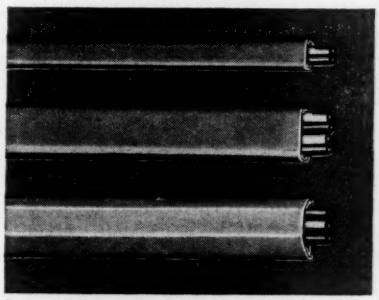
★ ★ ★

Sir Anthony Eden, British Prime Minister, and his Conservative Party are jolted somewhat by latest public-opinion polls that show Labor Party strength to be greater than had been shown earlier. The implication is that the British election may be a horse race rather than a runaway.

★ ★ ★

Henry Ford II, in a recent speech, made union leaders wonder if he was hinting at a compromise on the guaranteed annual wage. The Ford Motor Company president said that "perhaps what is needed is a new kind of prosperity-insurance policy based on a reasonable, businesslike, pay-as-you-go plan, with limited and predictable costs."

Magic in EMERGENCY



Your electrical contractor can modernize the wiring system in any type of building simply and economically with NE surface raceways.

There are times when a human life depends on the magic of a modern miracle—the flood of brilliant light that guides the eyes and hands of the surgeon.

In hospitals all over the land—in homes and factories too—we constantly rely on the unseen magic of electricity.

But this vital current must be carried through safe, dependable pathways—wires, cables and protective steel channels—capable of delivering all the electrical power that modern equipment requires.

As the leading producer of a *complete* line of electrical distribution systems, National Electric products help make the magic of electricity available when and where it is needed.

NATIONAL ELECTRIC PRODUCTS CORP. PITTSBURGH, PA. 50TH ANNIVERSARY 1905—1955

...for Dependable Pathways of Power

National Electric Products

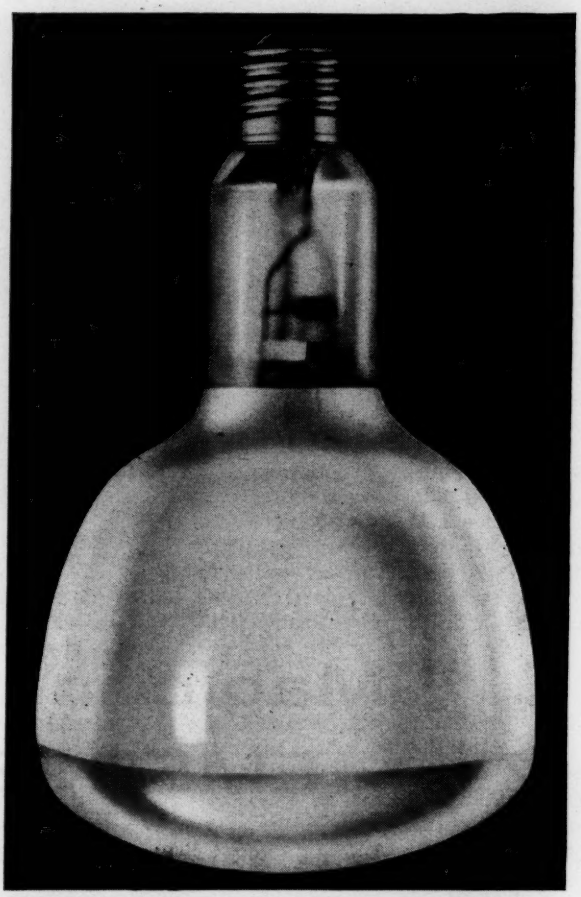
PITTSBURGH, PA.

3 Plants • 10 Warehouses • 36 Sales Offices

. . . another advance in mercury lighting from G. E.

Now 54% more light from G-E 400-watt mercury lamp

New General Electric H400-RC1 gives top color balance, too



In another mercury lighting first, General Electric has raised the light output of the H400-RC1 mercury lamp from 12,300 to 19,000 lumens! This 54% increase in efficiency results from using a special fluorescent phosphor as a reflector as well as to improve color balance. Its color characteristics are best of any mercury lamp for general lighting. Color rendition approximates a mixture of ⅓ filament light and ⅔ mercury light.

The new G-E H400-RC1 mercury lamp has a life rating of 6000 hours at 5 or more hours per start. It operates on the same equipment as all other 400-watt mercury lamps and is interchangeable in most reflectors.

With its controlled beam, good color, easy maintenance, and high light output, it is first choice for most mercury lighting applications.

For more information on how this new mercury lamp can fit your operation, call your G-E Lamp supplier, or write General Electric Company, Lamp Division, Dept. 482-US-5, Nela Park, Cleveland 12, Ohio.

COMPARE NEW G-E RC1 WITH OTHER 400-WATT MERCURY TYPES

NEW RC1 VS H400-E1

- Light on the work equal or greater in most equipment
- Adds color balance
- Less maintenance

NEW RC1 VS H400-J1

- Delivers 10-20% more light on the work in most equipment
- Has somewhat better color balance
- Lower cost of light

NEW RC1 VS H400-A1

- 35% more light on the work in most equipment
- Has good color balance
- Lower cost of light

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Truce in the "cold war" is a growing prospect. It approaches 50-50.

Eisenhower will pay a substantial price to get it. Russia almost has to have it, with troubles growing at home. Communist China cannot afford to go counter to wishes of Russia, who supplies almost all of her arms.

U.S. allies in Europe are simply drooling at the prospect.

Big question now is what a truce, if arranged, is going to cost.

In Asia, Chiang Kai-shek will be bottled up on Formosa. That's set. Communist China may get United Nations membership. It's being worked on now. Quemoy and Matsu island groups may be allowed to slip away. Indo-China, or what's left of it, probably will slide over to the Communist side gradually.

Formosa, however, will be held. U.S. troops probably will go there.

In Europe, rollback of Communism will be soft-pedaled. Talks will be opened with Russia on a wide range of subjects. Provocations, most probably, will be soft-pedaled by both sides.

In general, there'll be more of a tendency to let nature take its course.

Ike-Zhukov letter writing is important. It's symptomatic.

George, of Georgia, emerging as most influential with the President on issues of world policy, is symptomatic, too. Senator George is hardheaded, very practical, inclined, at age 77, to see the forest as well as the trees. He senses a basic change in the world that will affect the U.S. role.

Eisenhower, of course, is the key. Ike appears determined that U.S. not get tangled in more little wars. He'll go far to avoid provoking fights. If the other side insists upon fighting, however, then it will have to stand the consequences, will get no ground rules designed to save its neck.

The whole U.S. approach to the world is changing. The change, at bottom, means that U.S. will not stick its nose in every crack in every corner of the world. There'll be less chance then to get it pinched.

The thing that's beginning to dawn upon policy makers is this:

West Germany, industrially, is more than a match for Russia. Rearmed, allied with U.S., Germany is going to be a new force for Russia to reckon with. As Germany comes up, U.S. involvement in Europe can go down.

Japan, industrially, is vastly stronger than Communist China. Rearmed, allied with U.S., Japan definitely will give Communist China something new to think about. As Japan grows strong, China may seem less important.

The day is coming into sight when American youths, drafted for two years, and American taxpayers, drained rather dry, will no longer bear the brunt of the

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task of holding Communist powers at bay. Germany and Japan, getting back into the act as U.S. allies after being U.S. enemies, will help take that load.

Each of those powers has a grudge to settle with Communists, too.

Truce, if it comes as now expected, will have effects in U.S.

U.S. troop concentrations in Europe and Asia then can be reduced to a degree. Military build-up definitely will slow more than now.

Army size, quite probably, will be cut somewhat more.

Air Force and Navy, more and more, will bear the brunt of U.S. defense. Manpower of Germany and Japan, back in the picture, will relieve U.S. somewhat.

Military spending will go down with any cut in armed forces' size.

Draft demands, already low, will ease further when manpower is cut. Draft easing will have broad appeal to Congress in an election year.

Draft term, too, is not likely always to stay at two years. U.S. youths and those of Great Britain are now required to put in the longest service among non-Communist countries. Germany, to rearm, is planning a draft term of 18 months. Pressure in U.S. will build for shorter service for draftees.

Draft itself, however, is going to go on. Universal service will not be substituted. Congress once again is rejecting a modified UMT plan.

Tax cuts, in important part, relate to military-spending cuts.

Tax reduction, like draft-call reduction, will take on new importance in 1956. Ike is not unaware of the political hay that can lie in a truce in the cold war. If tensions ease, a whole chain reaction of popular moves can follow. The year ahead is likely to see a drift in that direction.

Business rise, temporarily, is near its peak. Activity, at a new high, is likely now to level off, maybe drift a little lower in summer months.

Trends upward will reappear in the fourth quarter, go on up into 1956.

Steel, right now, is about as high as it can get. Autos are passing the peak season of demand, are likely to slow somewhat in months ahead.

Business outlook, however, remains very good.

What you can be quite sure of as good times go on is this:

Speculation, before it becomes exuberant, will be resisted by Government. Stock market will be denied easy credit. Margin requirements for purchase of stocks, now 70 per cent, will be raised more if credit use in stock buying goes on up. Mortgage credit, too, is being tightened gradually. New moves to tighten that credit somewhat more can be looked for.

Government planners figure this: Prosperity, widespread and growing, can be prolonged if people can be kept from overenthusiasm, if an inclination to get rich quick on borrowed money can be restrained successfully.

The trend is toward more mild restraints upon credit use.

A new round of wage rises seems sure. Profits, at record levels for many industries, make new wage rises a near certainty. Wage increases are likely to be around 10 cents an hour in many lines--up $4 for a 40-hour week.

High employment, along with rising pay, will mean larger income. With people confident and well supplied with cash, trade is to push on up.

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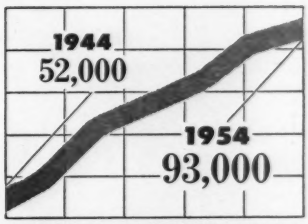

GROWTH IN NUMBER OF EMPLOYEES
of Independent Telephone Companies

That slip of paper he's holding—an ordinary service report—is actually this young man's ticket to the future! His ability will determine just how far it takes him. For there's an "up from the ranks" tradition in the telephone business . . . and an extra measure of opportunity on the growing Independent side. In an industry moving at the pace of America's 5,000 Independent Telephone Companies . . . he won't stand still for long!

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PEOPLE ★ ★ ★

OF THE WEEK

› WALTER F. GEORGE is gaining more and more influence over U. S. foreign policy. The Georgia Democrat who heads the Senate Foreign Relations Committee is increasingly heeded by the Administration. Historians are hard put to find a parallel in U. S. history.

Since becoming chairman of the Committee four months ago, Senator George has been exercising leadership in shaping U. S. dealings with other nations. His booming oratory led the Senate to vote President Eisenhower a free hand in defending islands off the China coast. His recently expressed plan for step-by-step progress toward a Big Four conference is now U. S. policy.

Latest instance of Mr. George's influence is acceptance of the idea of talking directly with Chinese Communists about peace in the Far East. The State Department first was unenthusiastic about Communist Premier Chou En-lai's approach. After Senator George outlined his ideas in a speech, the Administration found itself agreeing with him.

› SENATOR JOHN W. BRICKER, of Ohio, is off to another joust with the Administration—a fight for the "Bricker Amendment" to trim the President's powers in foreign relations. Mr. Bricker, Republican nominee for Vice President in 1944, is usually loyal to party leadership, but in this matter he remains a regretful but determined dissenter.

Mr. Bricker is the son of Ohio farm parents and a product of Ohio education from one-room grade school to Ohio State University. He gives voice to a feeling among some Americans that the U. S. should be more restrained in making treaties and executive agreements with foreign nations. His proposed amendment also takes its place in history as another chapter of conflict between Congress and President that has been going on ever since the Founding Fathers conceived their system of checks and balances.

Chances that the amendment will be passed in this Congress seem slim. President Eisenhower still strongly resists it. The proposal failed last year, and changes in the Senate, resulting from last November's elections, have added to the ranks of its foes.

› KEEPER OF SECRETS for the Government could be the unofficial title for a job just taken by **R. Karl Honaman,** but that's not what some of the most influential newspaper publishers in the U. S. are calling him. They call him a censor, a title he disavows. Signs are that he may get sharp criticism for the way he dispenses news of U. S. defenses.

Installed in the job of Deputy Assistant Secretary of Defense for Public Affairs, Mr. Honaman's chief responsibility is to halt disclosure of any information that might betray a technical secret to Communists. Each case is to be judged individually; there is to be no comprehensive set of rules such as governed voluntary censorship in wartime.

Mr. Honaman entered Government last autumn as head of the Office of Strategic Information in the Commerce Department. His task was to prevent leakage of know-how information—nonsecret but useful—to foreign countries. Some editors called him a "censor" then.

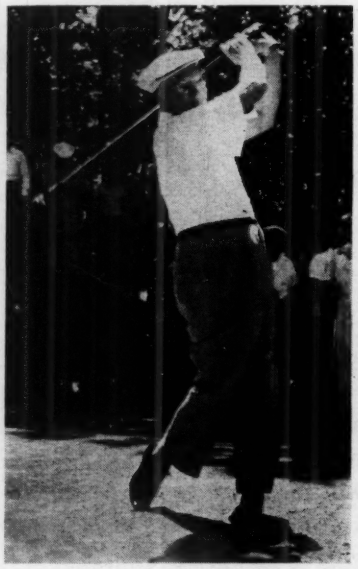
All his adult life Mr. Honaman has worked with technical information in telephone companies, now is on leave from his job as director of publication for Bell Laboratories.

› SENATOR HARRY F. BYRD, predicting the Administration's tariff-cutting bill will pass the Senate, gave a dry insight into the way Congress works:

"When the Finance Committee gets together on a bill," he observed, "it usually is able to persuade the Senate to go along."

A glance at the Committee roster provides a clue. Chairman is Senator Byrd,

(Continued on page 16)



IKE'S DOCTOR TALKS

› PRESIDENT EISENHOWER winced when he threw the first ball of the baseball season. Since then, stories that bursitis in his right shoulder is worse than admitted have been going the rounds. The White House physician, Maj. Gen. Howard M. Snyder, says this:

Bursitis still persists, but a calcium deposit that causes it is small and is going away. The present case is much less serious than one in 1946 that lasted six months.

Pain is not severe, and the President "sleeps an average number of hours." When he is away from the tensions of office, pain decreases, and "he didn't have any pain at all" during the last two nights of his recent golfing vacation at Augusta, Ga. Golf is a recommended exercise for his type of bursitis.

—United Press Photos

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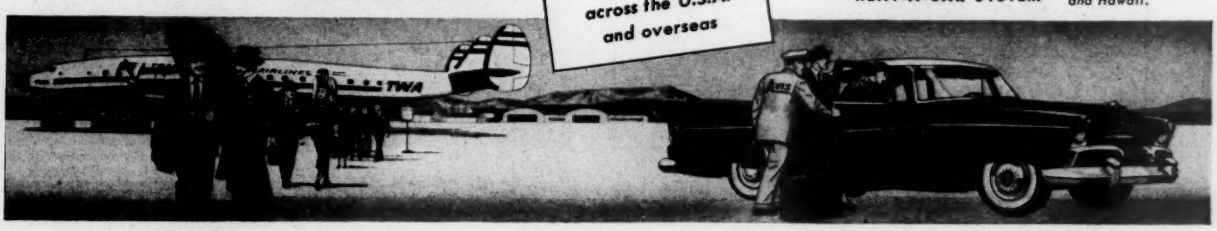


CONTINUED

a "conservative" Virginia Democrat long noted for carefulness and economy. Ranking Republican is Eugene D. Millikin, of Colorado, known as a cautious man. On the Committee are such Senate powers as Walter F. George (Dem.), of Georgia, and Majority Leader Lyndon B. Johnson, of Texas.

Senator Byrd is being credited with a legislative master stroke in steering the bill between intense pressures from both sides in the tariff fight. He has come up with a measure that satisfies the Administration by preserving the President's power to cut tariffs, within limits. At the same time, many high-tariff advocates feel they are receiving more protection than from any previous reciprocal-trade bill.

➤ **KONRAD ADENAUER,** a German Chancellor who pegs his future and that of West Germany upon alliance with the U. S., is breathing more easily after provincial elections.

The voting in Lower Saxony, a province in Northern Germany, came right after Russia dangled neutrality bait before German eyes. Bait was a promise of independence to Austria, if Austria will stay neutral in the "cold war." This is the theme that Adenauer's Socialist political foes are strumming, too.

Election results showed Germans are in no hurry to take the bait. Socialists made slight gains, failed to win control of the province. Adenauer's Christian Democrats fell short of their record vote of two years ago—but parties that support the Chancellor retain a clear edge.

At 79, Chancellor Adenauer remains Germany's sole postwar leader of big stature. He has a major task ahead of him—getting approval of many laws to carry out the Western Alliance. Votes will be close, opposition will be tough—but the latest election is a reassuring sign that Soviet propaganda is not engulfing West Germany.

➤ **LIN YUTANG** is still looking to the future. His latest attempt to mold the shape of things to come fell through. He sought to create an all-Chinese university in Singapore. The idea was to build a corps of non-Communist leaders by keeping youths from being drawn back to Communist China for their higher education.

Dr. Lin, noted in the U. S. as an author, now is writing another book, trying to peer 50 years into the future. He foresees two more world wars in the next half century. The book is due for publication next autumn.

A lot more than Communist opposition was behind the failure of the proposed Nanyang University that he was to head. After repeated setbacks, Dr. Lin quit with a sharp denunciation of the "atmosphere of intimidation and terror" fostered by Chinese Communists.

But there also was opposition by Britain, owner of the colony where the University was being built. British officials, fearing the new school might preach anticolonialism, refused to accredit it. That discouraged enrollment. Dr. Lin also had grandiose plans for a school plant—but a campaign to raise 7 million dollars to build it flopped.

RIVIERA PLAYBOY—FAR FROM THE STRIFE IN SAIGON

· **ABSENTEE RULER** of South Vietnam—a country that could give Communists a deeper wedge in Southeast Asia—is interrupting his pleasures in France long enough to encourage rebels against the U. S.-backed Premier, Ngo Dinh Diem. While a square mile of Saigon blazed and fighting raged in the streets, the Chief of State, **Bao Dai** (right), summoned conferees to his chateau on the French Riviera.

In Saigon, Premier Diem felt that the summons would leave a power vacuum in the country, and was aimed at ousting him from office in favor of his enemies. Such a course, the Cabinet felt, would end South Vietnam's last chance for real independence. So Diem defied Bao Dai, flatly refused the summons.

Bao Dai, over the last 20 years, has come to heel behind French colonialism, Japanese conquest, Communist revolution—and the French again. At 41, the French-educated ex-Emperor is enthusiastic for little but pleasure. His fortune is tucked safely away in Swiss banks. When Dienbienphu was falling to Communists, Bao Dai was exciting himself at gaming tables.

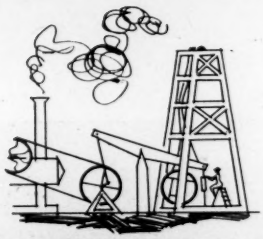
Bao Dai, contributing to chaos, soon may find the remainder of his country falling to Communists. But, for him, all the trouble is a long way from the Riviera.

—Green in the Providence Journal

"WHAT'S NEW IN INDOCHINA?"

—United Press photos

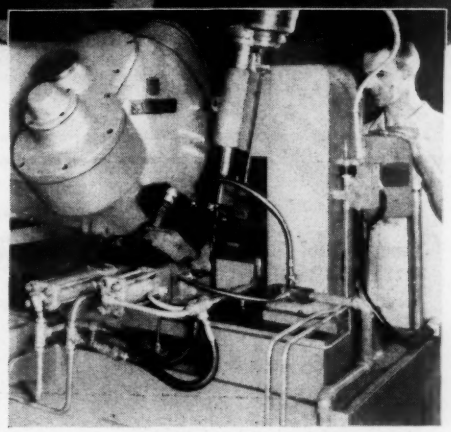
ARMED WARFARE IN SAIGON



Drake's rig was right for 1859, but . . .

here's a better way

A man named Drake made history at Oil Creek, Pennsylvania, in 1859. With a steam-driven rig and drilling tools shaped by a blacksmith—he launched the petroleum industry. The Drake well was 69.5 feet deep. Today's wells go as deep as 15,000 feet. Modern automatic rotary drilling is responsible for the opening up of oil pools ever deeper and deeper in the earth.



Sundstrand contributes to the better way. Shown at right is a Sundstrand 4-Spindle Milling and Centering Machine, used to face-mill 90° shoulder surfaces and drill center holes in top and bottom of lug segments of rock bits.

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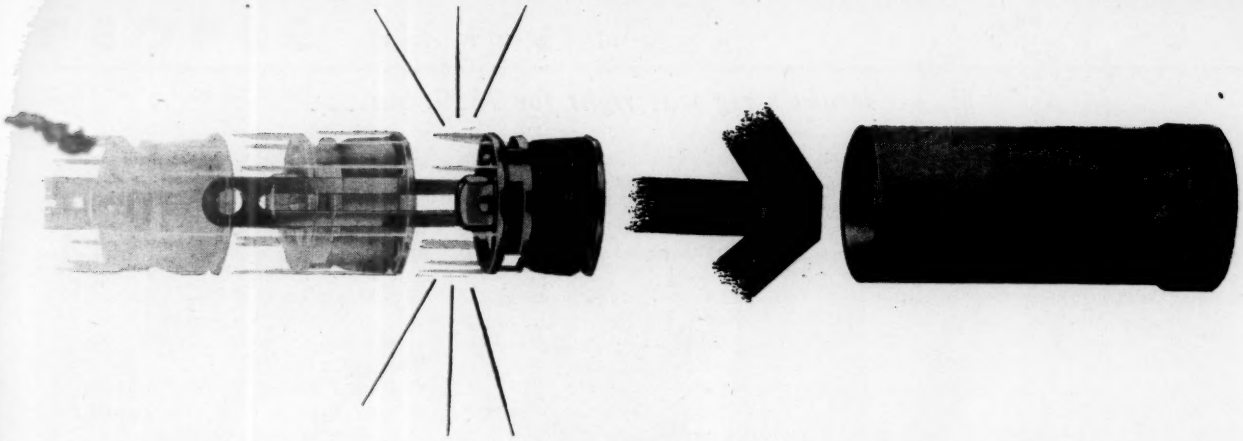

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Underwood Corporation did it by using Republic ELECTRUNITE Stainless Steel Tubing

This was the problem: find a material for the cylinder in the carriage shock absorber on an accounting machine. The cylinder must have an accurate bore, little variation in diameter, and negligible eccentricity. It must also have a suitable finish to reduce drag, because the piston which fits inside must be completely retracted in less than a tenth of a second.

Republic metallurgists suggested ELECTRUNITE Stainless Steel Tubing. It was drawn to meet dimensional requirements. The finish was excellent. And Underwood reports good service life because of excellent wearing qualities.

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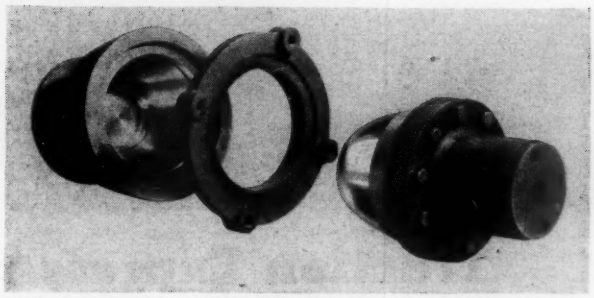
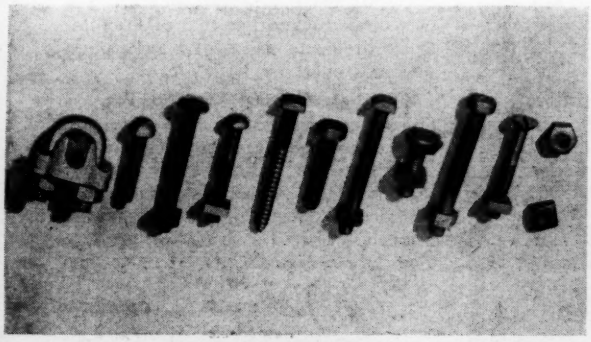
Fill out the coupon below for more facts on Republic ELECTRUNITE Mechanical Tubing. Or call your nearest Republic district sales office.



ECONOMICAL MACHINING IS ONLY ONE REASON why a leading maker of heat-resistant glass products uses Republic Chateaugay Pig Iron for glass molds. This premium pig iron, supplied exclusively by Republic, also assures a dense, fine grain structure; longer mold life; fast-flowing and even-cooling characteristics. Hard surfaces resist heat and wear.



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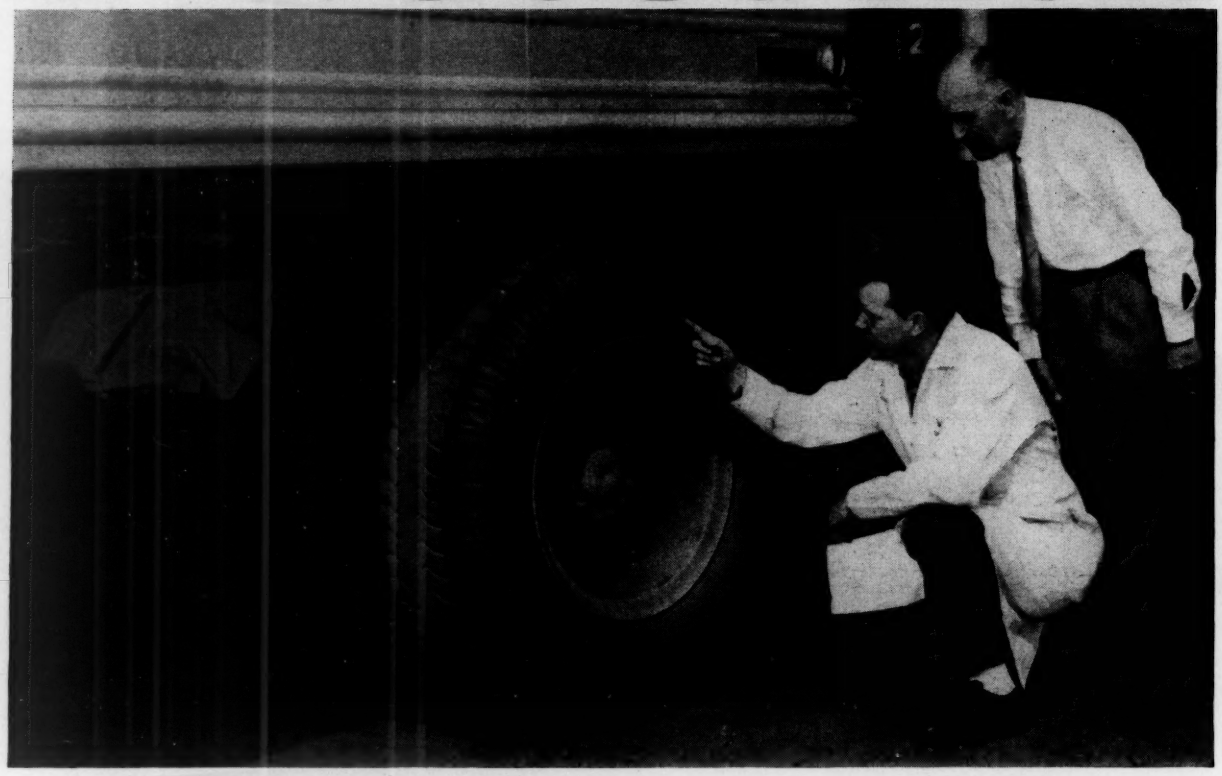

Traction Express tires give truck operator 4 times the mileage of other tires

Baggett Transportation Co., Inc., operates out of Birmingham, Alabama. Its 450 units haul general freight on 'round-the-clock schedules. The tires in the photograph above have already given nearly 4 times as much mileage as other tires used in this work, will have traveled 160,000 miles with recaps before they are through.

They are B. F. Goodrich Traction Express tires, and "their performance has been a revelation in tire capability," says Baggett Director of Maintenance H. C. Carnahan.

Other truck operators agree with Baggett, call the Traction Express "the 100,000-mile truck tire."

All-Nylon cord body

B. F. Goodrich builds the Traction Express with an *all-nylon* cord body. Nylon is stronger than ordinary cord materials, withstands double the impact and resists heat blowouts and flex breaks. The *all-nylon* Traction Express tire body outwears even its extra-thick tread—up to 46% thicker than that of a regular truck tire—and can still be recapped over and over!

See the *all-nylon* Traction Express (rayon construction at lower prices) with the special skid-resisting curved-cleat tread at your B. F. Goodrich retailer's. The address is listed under Tires in the Yellow Pages of your phone book. Or write *The B. F. Goodrich Co., Tire & Equipment Div., Akron 18, Ohio.*

AIKENS MOTOR EXPRESS, Osgood, Ind., estimates they will get 145,000 miles before recapping from these Traction Express tires.

MIAMI TRANSPORTATION CO., Cincinnati, Ohio, reports Traction Express tires give 66% more mileage than other tires.

Specify B. F. Goodrich tires when you order new trucks

RESEARCH KEEPS
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VOLUME XXXVIII—No. 18 U.S. News & World Report WASHINGTON, D. C.

IKE'S PLAN TO AVOID A WAR

Keep Strong . . . Talk Over Disputes . . . Build Up Germany, Japan

U. S. is trying a new course toward peace.

It is Eisenhower's idea to talk with Chinese Reds, to swap letters with Russia's Marshal Zhukov.

Communists will be met halfway. The President wants to give them reason to prefer talking to fighting, peace to war.

Japan and Germany, which once almost conquered China and Russia on their own, will be built up as new allies. Old allies, Britain and France, will be kept strong too.

Goal: to make the Communist leaders see for themselves that the world is more than they can handle.

A formula for truce in the "cold war" is being shaped by President Eisenhower. The Eisenhower formula, in simplest terms, involves this:

Make no threats. Avoid war at almost any cost. Strike only in self-defense. Take advantage, instead, of any opportunity to talk, if talk involves the chance of promoting peace or avoiding irritation.

This formula, right now, is being given a tryout in two areas—Asia and Europe.

In Asia: restraint. Chiang Kai-shek is being restrained from using his Nationalist military forces against the Communists.

This restraint will apply unless Chiang needs to strike back in self-defense. Talks between U. S. and the Communists—with Chiang kept informed though not necessarily present—are to be encouraged at the same time.

Given a period of quiet, Japan then will be built up as a counter to Communist China, permitting the U. S. to disentangle itself somewhat in that part of the world.

In Europe: talks. U. S. is to encourage conferences with Russia's leaders about European problems. An Austrian peace treaty, now in the works, is just the starter. West Germany is to be helped to rearm in order to establish a balance of power between anti-Communist Western Europe and Russia's European empire. That, too, is planned in order to permit the United States to draw back somewhat.

The President's plan for peace is based on his doubts that the American people —165 million of them—will be willing forever to bear the major part of the burden of defending both Asia and Europe.

As the President sees it, there are 300 million people in non-Communist Europe, with an industrial power far greater than that of the Communist empire. In Asia, too, the non-Communist Asians, including Japan and India, have some 680 million people, with industrial power much greater than that in Communist China and Asiatic Russia. These people, in the view of the President and his top aides, should not continue forever to depend on American GI's, drafted for two years, nor to look to American taxpayers to carry a big share of their defense burden.

The U. S. does not contemplate any desertion of allies around the world. Complete withdrawal from the Far East is not in the President's formula. But he does seek a gradual shift of responsibilities now borne by the United States to the peoples of non-Communist Europe and non-Communist Asia who, once again, are becoming capable of standing on their own feet.

Official thinking. In the back of official minds are these simple facts:

Japan, although denied the right to control Manchuria by defeat in one war, retains an interest in that area. Japanese industries need Man-

HOW U.S. EXPECTS TO KEEP PEACE

- **Stay strong, keep ahead in arms race.**
- **Keep channels of diplomacy open. Be ready at all times to talk.**
- **Help Germany in Europe, Japan in Asia to grow strong as a counter to Russia and to China.**
- **Avoid concessions that do not involve at least equal concessions on the part of Russia or China.**

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THE DEAL TAKING SHAPE

To Try for a Bargain With Communist China:

1. U. S. to assure Communists that Chiang Kai-shek's forces will stay under wraps.
2. U. S. to open the door to talks with Communists about stability in the area.
3. U. S. to urge Chiang to abandon the idea of reconquering the mainland.

THE GOAL: A basis for Far Eastern peace, o

churian coal. Japan built Manchuria's industry. As Japan grows stronger, the interest will develop.

Communists now dominating China and Manchuria are aware of the fact that a reviving Japan will look to the mainland for raw materials, not always to the U. S., 5,000 miles away. They are concerned about the prospect that Japan, once again, many years hence, may seek a foothold on the mainland. They are aware that, another time, the U. S. might not deny Manchuria to Japan.

Germany, too, has a deep and continued interest in East Germany and in the lands, historically German, which now are incorporated into Communist Poland. As Germany grows stronger, there will be an increasing desire to win back the rest of the German people, perhaps the old German lands, too. Soviet leaders know that U. S. aid to Russia in the war and the pressure on the Western Front were decisive factors in enabling them to defend themselves against Germany. So a break in the "cold war" now appeals to Soviet leaders, as well.

Shift of burden. Great Britain and France are to hold their secure positions at the base of the Western Alliance. There is no thought, among responsible leaders in Washington, of building up Germany and Japan to a point where they can once again seek to conquer Europe and Asia. But there is an awareness in Washington that they can add strength to the world-wide effort to check Communist expansion. There is thought of a gradual shifting of the burden of global defense, in part, at least, from the U. S. to its allies, old and new.

The White House recognizes this trend. It has also been stated publicly by Senator Walter F. George (Dem.), of Georgia, chairman of the powerful Foreign Relations Committee of the Senate. There is a feeling that Communist leaders, too, are beginning to think in terms of a truce in the cold war.

The Communist powers, as Washington sees it, have missed their chance to swarm over Europe, to engulf Asia. On the borders of the Communist countries in both Asia and Europe are powers now growing, which, in the past, were more than a match for either Soviet Russia or China. Only the aid of the U. S. and Western Europe saved Russia and China then.

Other assumptions, too, underlie the Eisenhower formula for avoiding war.

Trouble behind the Curtain. One assumption is that Russia is up against internal strain and is having more and more difficulties.

Farm troubles worry Soviet leaders, and they say so publicly. Farmers are not getting up early enough nor staying at work late enough to give proper attention to Government-owned fields and livestock. Food is not plentiful.

Industry, too, is full of problems. Distribution is spotty. People who want consumer goods are restive. There are signs of depression in Russia while non-Communist countries are prosperous.

Satellites are worrisome to Russia. They are close enough to prosperous Western Europe to know how poorly they are faring; they see Soviet Russia milking them dry. East Germans want the prosperity and freedom enjoyed by West Germans. Hungarians and Czechoslovaks envy Austria's independence.

Russians losing face. Another assumption is that Communist China is no longer too impressed by the Communist leaders of Russia.

Mao Tse-tung, a hero to the Red Chinese, is living, while Nikolai Lenin and Joseph Stalin, the great men of Soviet Russia, are dead. Chou En-lai, the Red

AROUND FORMOSA

To Assure Nationalist China's Future:

1. U. S. to base ground troops on Formosa if Chiang needs them for morale.
2. U. S. to expand its air and naval bases on Formosa if needed for defense.
3. U. S. Seventh Fleet to remain in Formosa area as safeguard against Communist attack.

...opening way to world-wide talks with Communists.

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Chinese Premier, enjoys great prestige, while Russia is run by men the Chinese regard as second-rate leaders.

Experience, too, has shown Chinese Communists that the Soviet ally, with its headquarters far off in Europe, has aims which do not always coincide with those of the Chinese Reds. Red China still depends on Soviet industrial supplies and heavy armament, but capital equipment for Communist China's dreams of industrial power is slow in coming. China's Communists, as a result, are uncertain about what they can get from Soviet Russia when the chips are down.

President Eisenhower, his aides say, feels that the United States can afford to talk to the Communists as long as the U. S. continues to build up its own power at home. His formula also calls for continued development of the strength of U. S. allies, a gradual return of some U. S. power. This is not regarded as a trend toward isolation, but as the building of a central base from which the U. S. can speed power to the place where it is needed as emergencies arise.

Senator George, who is gaining greatly in influence at the White House, shares these views. The Senate Democratic leader on foreign-policy matters said publicly that the United States should be "big enough and great enough" to accept the Chinese Communist bid for direct talks which was made at Bandung, Indonesia, by Chou En-lai. The George statement was followed by the announcements of the President and of Secretary of State John Foster Dulles that the U. S., under certain conditions, would talk alone to the Chinese Reds.

No one-way concessions. There is a determination, both in Congress and in the Administration, to avoid concessions that do not bring equal or larger concessions on the part of the Communists. Aim is to negotiate deals, not surrenders or giveaways.

Some losses are likely. There is a tendency, now growing, to accept the idea that Southern Vietnam may also go Communist.

Publicly, at the Bandung Conference, Chou En-lai promised that Red China would not attack Asian countries or try to subvert them. Anti-Communist Asians consider this a propaganda promise, but they intend to hold Chou to it. They intend to sound the alarm at the first sign of new Communist attacks, new attempts at subversion in Asia.

The Eisenhower peace plan is to be flexible, elastic, capable of adjustment to Communist responses and reactions.

Risk of war. There still is a chance that Communists might overplay their hand. They might, for example, try to seize Quemoy and Matsu in such a manner as to threaten Formosa. In that case the U. S. could be brought into war.

Chances of peace, nevertheless, are felt by officials to be on the rise. The President has announced an exchange of letters with Marshal Georgi K. Zhukov, Soviet Minister of Defense. Talks between U. S. and Red China can come next. If these produce results, then "Big Five" talks involving the U. S., Britain, France, Soviet Russia and Communist China are a possibility.

President Eisenhower, clearly, is out to end the cold war. His friends indicate that he is determined to let no obstacles stand in his way.

Background of Eisenhower-Zhukov letters, page 24; President's views on peace, page 25; the real story of Chou En-lai, page 71; Senator George's speech, page 78; comments of Secretary Dulles and Senator Knowland, page 82; texts of statements that started Chou-U. S. dickering, page 98.

WHEN IKE AND ZHUKOV WRITE—

"Personal" Letters May Ease World Tension

Meeting of minds "at the summit," it turns out, already is taking place, in effect, between U. S. and Russia.

That meeting is through personal correspondence between Ike and his friend Marshal Zhukov, now a top man in Russia.

For a look at just how important this new link may be—

Two old soldiers are writing letters to one another again—and on that fact is being built a growing prospect for truce in the "cold war."

Marshal Georgi K. Zhukov is doing the letter writing from the Russian side. President Dwight Eisenhower is responding from the American side. The letters aren't going through the ordinary mails. They go instead by diplomatic pouch and are delivered through channels.

Zhukov and Ike were close wartime friends. Eisenhower then commanded the Allied forces on the Western Front. Zhukov commanded the Russian forces on the Eastern Front.

Eisenhower today leads the world's most powerful nation. Zhukov is Minister of Defense in the Communist Government of Russia. He also is the hero of the Russian Army and one of the most influential men in the Soviet Union.

Impact. When these two men write letters, the result is something that approaches a meeting of minds "at the summit," about which Britain's Sir Winston Churchill likes to talk. Zhukov shows his letters to the other top men in the Kremlin, who discuss their contents. Ike shows his letters to enough people around the White House so that some of their contents is being "leaked" to outsiders.

The letters that go back and forth are the products of more than one mind, even if they are personal in tone and short in length.

It all started with a short note of congratulations from Ike to the Russian Marshal at the time of his elevation to the post of Minister of Defense. Zhukov, writing back, expressed the hope that the two nations, Russia and U. S., could settle their differences and live in peace.

With contact thus made, it was only natural that Zhukov should appeal to Eisenhower when Valery Lysikov, the son of a Russian lieutenant colonel, defected to the West in Berlin. A U. S. spokesman then publicly stated that the boy was free to return home if he wished to. Eventually, the youth did return to his parents.

Eisenhower, on his part, was given an opening in this way to bring up the question of American soldiers illegally held prisoner by Russia's ally, Communist China.

How Eisenhower sees it. The letter writing is going ahead. Of it, the President says this:

"It is correct that I have been in—I had some personal correspondence, but it was because of the nature of our two positions, and based upon old friendship. It was absolutely personal.

"I am not at liberty to say what was in it until he releases it.

"I assure you there is nothing in it that was of such a great significance that it ought to disturb anybody, but it was personal."

Writing of letters by top men of one government to top men in another government is nothing new. Sir Winston Churchill, when Prime Minister of Great Britain, used this personal device often and to great effect.

The Eisenhower-Zhukov correspondence can be of a much more important type than any other correspondence of modern times. It all depends upon where this exchange of ideas leads.

A deal? On both sides, the letters are in the most friendly terms. They recall the days when Russia and the U. S. were allies and when soldiers of the two nations were comrades in arms. On the Russian side, there is an apparent yearning for some kind of deal.

How promising this exchange of letters could become is indicated in Mr. Eisenhower's own words, describing his last meeting with Marshal Zhukov and what the Russian believed at that time. This description is from the Eisenhower book, "Crusade in Europe," published in 1948. It states:

"The tenor of the marshal's conversation [on Nov. 7, 1945] was that he believed that we in Berlin had done something to help in the difficult problem of promoting understanding between two nations so diverse in their cultural and political conceptions as were the United States and the Soviet Union.

"He felt that we could accomplish still more. He talked at length about the new United Nations and remarked: 'If the United States and Russia will only stand together through thick and thin, success is certain for the United Nations. If we are partners, there are no other countries in the world that would dare go to war when we forbade it.'"

—Sovfoto

MARSHAL ZHUKOV WITH GENERAL EISENHOWER IN 1945
. . . a friendship that could change history

Eisenhower Talks About Peace

President Eisenhower has a feeling that peace is in the air.

In response to news-conference questions, the man who has access to intelligence reports from all over the world tells why he is optimistic about the chances of avoiding war.

Mr. Eisenhower balances the hopeful signs against warning signals and sees a brighter outlook ahead.

Following are extracts, authorized for direct quotation, from the press conference of President Eisenhower, held on April 27, 1955:

Ray L. Scherer *(National Broadcasting Company):* Mr. President, the broad picture—do you see any signs, any tangible signs, of a general abatement of tension between East and West, and if so, could you enumerate them?

The President: George Patton [general in command of the U. S. Third Army in Europe in World War II] used to say that no man is a soldier unless he has a sixth sense, and then he would describe that sixth sense. And it was, I must say—for him it seemed to work—but it was suddenly to make your decisions on your own guess, and throw all of the G-2 [Army intelligence] people out the window.

Now, I will confess I have the feeling that things are on the upswing. But I can take every single favorable point and balance it by something that doesn't look too favorable. But I do believe this: More of the world is beginning finally to have confidence that the United States is not trying to establish a new form of colonialism, and doing it just through purchases, money and economic penetration.

I believe that they are beginning to understand the United States is genuinely devoted to peace; that we are a peaceful people who want full opportunity to develop ourselves. And that, in going along, they are beginning to see that our efforts to help others have had not only our own enlightened self-interest as an inspiration, but also the knowledge that others must advance if we are to continue to do so.

Now this you see coming out in a number of ways. Suddenly Russia says: "We will—we are ready to conclude this Austrian Treaty now."

Or, the tension seems to die down in some other areas. But, at the same time, you will see a build-up of airplanes around the Formosa area, on the Chinese mainland. You will see your trouble in South Vietnam. So, as you sit there and live with these things you have a very difficult time proving anything either way. But I do say, I still have my feelings.

Charles S. von Fremd *(Columbia Broadcasting System):* Mr. President, you just mentioned, sir, the Russian move in Austria. A few weeks ago you mentioned that as one of a series of possibilities that might be a sign of Russian good faith, of deeds not words.

The President: That is right.

Mr. von Fremd: Which might, in turn, be a factor in a decisive meeting at the summit, or an eventual Big Four meeting. Do you feel that way now, sir?

The President: Well, I don't know whether it will lead to a Big Four—I mean the Big Four meeting in terms of the heads of state, or heads, at least, of governments.

I do mean this: It is a step. And now already there has been agreed that the ambassadors will meet, assuming that—in Vienna. Assuming that meeting will be successful, we will know then the Big Four will meet then in terms of their foreign ministers. And if that leads to something that might demand higher concurrence it is possible. But I say at this moment I see no reason for that summit meeting. But, as I say, anything might grow out of t

Edward T. Folliard (Washington *Post* and *Times Herald*): Mr. President, the Tenth Anniversary of V-E Day is coming up. Do you have any reflections on that event?

The President: Well, yes.

Of course, I think we knew six weeks before that that victory was certain and was coming very quickly.

It was—merely became a question of the day. But I think May 8th represented for a great many people in Europe at that time practically the realization of all their dreams and, you might say, their ambitions. Certainly I thought it marked for me, you might say, the end of an active career. I saw a nice farm over the other side of the ocean—and it still is a long ways away at least.

But I really go back—after all, when you are my age, 21 months is still a long time.

I do believe this: I believe that there was in the hearts of all the fighting men, all of the people that were in uniform in Europe on that day—I believe there was a genuine desire for peace, and the hope that there would be no more war.

That hope has not been realized. And it has encountered its defeats, but I still believe it is a mighty force in the world, and I favor it. I don't hesitate to write or communicate with all friends that I knew in those days in an effort to get them to try to advance, help us advance, one step along the road.

° ° °

But I must say this: I wish that in this "cold war" we could now get some victory that would make us feel as good as we felt that day of May, 1945.

For a step-by-step report on the talks that opened the way to a meeting between U. S. and Communist China, see page 98. For American official reaction to these moves, page 82.

Interview From the Dust Country—

SECRETARY BENSON REPORTS ON THE BIG BLOW OF 1955

The country now gets the official word on the searing drought in the Great Plains—how bad it is, and what can be done about it.

In the interview that follows, Ezra T. Benson, Secretary of Agriculture, reports on the drought problem after touring the dust-choked areas of five States.

He drove through parched plains of Colorado, Kansas, Oklahoma, Texas, New Mexico. What he found was an area in serious trouble, plagued by a five-year-old drought that soon could lead to another dust bowl like that of the 1930s.

What to do? Farmers can help by measures of their own. Rain is the one real answer.

***U.S. News & World Report* interviewed the Secretary in New Mexico just as he wound up his tour of the drought area.**

At TUCUMCARI, N. Mex.

Q Secretary Benson, is there a real dust bowl in this country once again?

A I would say the answer to that question is "No," but there is a real threat of a dust bowl developing unless appropriate corrective measures are taken. It is reassuring to the nation, I think, that farmers and ranchers are more alert to the situation than they were in the '30s, because, as the result of research, they have better knowledge of the need for meeting the situation. The improved equipment and methods now represent a greater advantage.

Q Were you in any dust storms on your swing through the area?

A We haven't seen the kind of dust storms that make big national headlines, but in several areas we have seen some rather serious blowing. It has been enough to demonstrate forcibly the danger of the situation, and to underline the great need to formulate effective means for meeting the needs of the Southwestern and Great Plains area.

Q Just how does the problem compare with that of the dust-bowl days of the 1930s?

A In general, here's about the way it looks to me: The current drought in the southern Great Plains is fully as severe as the first drought in the 1930s. This current drought started in some sections in the summer of 1950. By 1951 it had spread over the southern Great Plains. With few exceptions as to localities and seasons, precipitation has been only 50 to 90 per cent of normal since that time. The severity of the drought this spring is comparable to the spring of 1936, since the drought of the 1930s started, you will recall, in the summer of 1931.

Q What really goes on in a dust storm—does a lot of this land actually blow away?

A Let's first take a look at the soil. The particles of soil, of course, become dry. If there is no humus, these particles either roll with the wind, or they become airborne, much like an airplane taking off from a smooth runway. If the surface of the soil is smooth, they roll or blow until they drop into a depression, or settle on the leeward side of some obstruction. This produces the drifts of dust that we see along the roads.

Proper tillage, which brings up clods, or leaves the soil in furrows or ridges, provides obstructions which trap the moving soil particles. A grass cover also prevents the soil particles from moving.

Q What happens to people caught in a dust storm?

A As these particles become airborne, clouds of dust form and move across the landscape. Visibility may become zero. Automobile traffic is frequently stopped. Motors sometimes smother out. Housewives find dust filtering into their homes. They can't hang out the wash. They quit shopping. Trains are late. Aircraft are grounded. And business comes slowly to a halt.

Q Has the human suffering been anything like that of the 1930s? Are people losing their farms and having to move out?

A Do you mean is there anything similar to the Okie migration of the 1930s?

Q That's right—

A I'd say, "No." The effects of the present drought period have not brought forth the mass movement of people such as we saw during the 1930s when the so-called Okies moved to other areas in large numbers. There has been much less abandonment of farms and less human hardship.

Q Why is this?

A I think there are about three reasons:

First, farmers had much greater financial resources at the start of this present drought.

Second, the remembrance of the dust bowl of the 1930s

Secretary Benson inspects dust-storm damage on a Colorado farm

and the recovery from it helped prevent a panic-stricken exodus.

And, third, increased knowledge and better equipment and organization helped to check the general exodus.

Q How widespread is the damage this year, Mr. Secretary?

A Well, since you can never bank on what the weather will do it's a difficult question to say whether it is likely to be greater than a year ago. Though the total acreage damaged by wind erosion is larger this year than last, various control methods have been used more widely and effectively. As a result there has been less total damage from wind erosion so far this year than last.

Q What is the basic cause of these dust storms?

A Although certain types of farming methods have contributed heavily to the development of dust-bowl conditions, periods of below-normal rainfall, coupled with high winds, have, of course, been the basic cause.

Q Has too much land been plowed that should have been left in grass?

A That's a question that cannot be answered in terms of the number of acres. Certainly some of the land in this southern Great Plains area is the marginal type that should not have been put under cultivation. Also, it is difficult to say when land is marginal for crop farming and should be planted in grass. The term "marginal" is a relative one and, of course, is related to prices and moisture conditions.

Q Did the high price of wheat during World War II and the years immediately thereafter encourage breaking up of the prairies?

A Yes, high wheat prices have been an important factor in the expansion of wheat acreage in the southern Great Plains area now affected by the drought and wind erosion.

It should be remembered that the Government called for all-out production during World War II, and the emergencies that followed, and provided the price incentive to obtain that production. Our farmers responded magnificently to that challenge. The high, rigid supports, coupled with the continuation of the old parity, resulted in a total price support of approximately 105 per cent of parity.

Now this incentive, of course, was intended as an emergency wartime measure to stimulate maximum production. But the incentive was continued for a long time after the emergency was over.

Q This has been a contributing factor to the present situation?

A Yes, and it has also contributed greatly to our present general surplus problem. The Government is, therefore, partly responsible for the situation which has developed, and I believe has a moral obligation to assist in developing a long-range program that will meet the serious problems that now face farmers and ranchers in the Great Plains area.

Q The Weather Bureau reports that the drought cycle has persisted over this area for a number of years, and what you have told us certainly bears this out. Is there any sign that the cycle might be broken by a change in weather that would bring normal rainfall to the Great Plains again?

A Of course, we hope so. But I'm afraid that is a question that the Weather Bureau can answer better than I can. The Bureau is, I believe, studying long-range weather trends, but it makes no prediction in this matter. The Department of Agriculture, of course, has no data on which to base such a prediction.

Q Have there been rains that have helped in any of the areas that have been hit by the blowing dust?

A There have been some spotty rains, but no general rain throughout the area recently.

Q What over-all impression do you get from your swing

(Continued on next page)

. . . "We are moving ahead to help farmers help themselves"

through the drought areas of Colorado, Kansas, Oklahoma, Texas and New Mexico?

A I suppose you mean is there any way to deal with this problem?

Q That's right—

A Of course, there are no man-made controls for the weather. However, good farming practices, which reflect the need for good soil conservation in this area, will go far to prevent wind erosion on both farm and range land. What we need to do now is develop the kind of long-range program that will be sound and effective in stabilizing the agriculture of the southern Great Plains.

WHAT GOVERNMENT DOES—

Q Is this a problem for the people of the area, or is it to be largely taken over by the Government?

A What the individual farmer or rancher does on his farm or ranch to adopt farming practices that will prevent, or at least control, wind erosion is vitally important. I think it is much more important than what the Government can do. The Government, of course, through its agricultural agencies, has an obligation to do everything possible to give the farmer or rancher effective assistance in meeting the problem.

Q What is the Department of Agriculture doing?

A We are moving ahead to help farmers help themselves in meeting the problem. In addition to various emergency measures, which we have made available, we are working with the States and the Great Plains Council [an association of State agriculture-college officials and U. S. Department of Agriculture officials] to develop a long-range program to fit the needs of the area.

We recently organized in the Department of Agriculture an "action committee" to carry out the Department's responsibility in this effort. This committee, State officials and the Great Plains Council will meet for the first time on May 31 to formulate policies for a sound and practical long-range agricultural program for the Great Plains. This meeting will be held in Denver.

I've also asked the Governors from the 10 Great Plains States to meet with me and my associates and the Great Plains Council on June 1 in Denver.

Q During the dust-bowl days of the 1930s there was widespread liquidation of livestock herds. Is there any of this going on now?

A No, there is no widespread liquidation of herds. The emergency drought feed and hay program of the last two years has been very effective in supplying livestock feed to farmers and ranchers whose supplies have run out. This is the program under which the Federal Government has made emergency loans to farmers.

Q Is this program still going on?

A Yes, it is continuing where there is a need for it, and there doesn't seem to be any great tendency to liquidate livestock. Of course, there has been a reduction in some herds. This is natural when farmers are trying to utilize a limited amount of feed to bring into effect a balanced livestock-feed program on the individual farm or ranch.

In general, I feel safe in saying that, with the assistance of these emergency feed programs, livestock liquidation has not been excessive. We've checked that very carefully on this trip. We found high praise for the emergency feed and credit programs which have been in operation now for more than a year.

Q Just what area did you cover on your trip?

A We flew by plane from Washington to Denver and started our drought tour from there. From Denver we drove down to the southeast part of Colorado to Lamar. There we turned eastward and crossed the border into Kansas, stopping for the night at Liberal. The next morning we were up for a 5:15 a.m. breakfast and then headed down into the Panhandle of Oklahoma, stopping at Guymon.

Q Wasn't the Oklahoma Panhandle one of the hardest-hit areas of the dust bowl back in the 1930s?

A That's right.

Q How is this area holding up in the present dust storms?

A Better than some of the other areas. We thought the success of the farmers and ranchers there in coping with the problem is good evidence that those who remembered the lessons of the old dust bowl have benefited from them.

Q Where did you go from there?

A We drove on down to Amarillo in the Texas Panhandle. Then we swung south and west to Clovis, N. Mex., and then turned north to wind up our trip at Tucumcari, N. Mex.

Of course, all along the way we stopped at small communities between these larger towns. We also stopped on many farms and ranches and saw the control measures being used and examined the vegetative growth, the effect of wind erosion on crops planted last fall. We tested subsoil moisture, saw something of the wells that are being attempted in some areas and, all in all, got a pretty full picture of the situation in these States we visited.

Q Did you have time to talk to a lot of people on your trip?

A We certainly did. We took time. There were big meetings of farmers, ranchers, State officials, businessmen and Federal Government field men in several towns—Lamar, Colo.; Liberal, Kans.; Guymon, Okla.; Amarillo, Tex., and here in Tucumcari, N. Mex.

Then we made it a point to get off the main roads and right out into the country. As we traveled, we talked with a lot of farmers and ranchers and also met bankers and merchants in many towns. We talked with all of them about the effect of the drought and wind erosion on the economy of the farms and small towns.

DROUGHT HURTS EVERYBODY—

Q What did the bankers and merchants in these towns have to say?

A Everyone is deeply concerned. Any time there is crop failure, whether it be complete or partial, it affects the economy of these communities, which are quite dependent on the grain and livestock industry of the area which surrounds them.

Q The towns are beginning to feel the pinch?

A Yes, they are feeling the pinch, and, of course, there is a very deep interest on the part of businessmen and others throughout the entire area.

Q What areas of those you saw seemed to be the most severely damaged?

A Of course, the effect of the wind and the drought showed up to a varying degree in all of these areas. I think perhaps the most widely affected areas are in southeastern Colorado, although there are sections in some other parts of the southern Great Plains that seem to be just as seriously affected.

Q Can the land that has been severely damaged be brought back to production?

A Yes, but that depends upon the extent of the damage.

. . . "No nation can afford to permit its land to be destroyed"

But by proper cultivation, the addition of fertilizer where it is needed, and the return of adequate rainfall, crops can be grown. Rehabilitation of wind-damaged soils may be a very expensive process for the farmer. It is particularly difficult for him if he has gone through several years of drought, during which time he has had little or no income from farming operations.

Q Is there any plan for the Government to buy up large acreages of this "blow land" and put it back in grass?

A No, there isn't. We feel that the farmer ought to be given the facts regarding a sound long-time program. The decision ought to be left to him as to how much of this land goes into grass or how much of it he will continue to crop. It's largely an educational job, and a co-operative job between the federal and State agencies and the farmers and ranchers.

Q You feel that, despite the recurring drought and dust storms in the Great Plains area you've been through, this part of the country can contribute to our agricultural production.

A No nation can afford to permit its land, its most basic resource, to be destroyed. This is true even of the United States, one of the world's most abundantly favored nations.

Nations have risen and fallen on the strength of their agriculture. We have the future to look toward—a future with an ever-growing population, and a place in the world that calls for us to be prepared in all ways. Not economically, nor in any other way, can we afford to lose even relatively small areas of our land. We have a solemn, God-given responsibility, it seems to me, to protect our land in a way that will assure its wide use, and the maintenance of soil fertility.

Q Does much land actually blow away?

A Yes, over the centuries, great areas of our country's soil have been deposited by wind action. These wind-blown soils are known as "loess" soils. Some soils, which are lighter and of a more sandy nature, blow quite readily, frequently forming sand dunes. The distance which the soil blows depends upon the velocity of the wind and the condition of the land surface when the wind occurs.

Q Did you see evidence that the lessons of the dust-bowl days of the 1930s have been remembered?

A I think the answer is "Yes." We saw large areas that were badly damaged in the 1930s, but which are not blowing today. These fields are being handled scientifically.

Q What do you mean by that?

A I mean that strip cropping, stubble mulching, listing, chiseling, controlled grazing and other good practices are being followed. Research workers at the State experiment stations and those of the Department of Agriculture have teamed up with industry to find the know-how.

Farm-machinery manufacturers have designed and built new equipment. Farmers are being shown through demonstration by county agricultural agents how to handle different types of soil under adverse conditions. And everywhere we have seen evidence of the outstanding work that has been done by both State and Federal Soil Conservation Service workers.

Q What is the future prospect for this drought and dust-plagued area?

A I think under proper land management and good, overall farm-management practices, it very definitely has a good future.

Q Do the people who live there believe in that future?

A They do and they are holding their land and hoping that a long-time, sound program will be developed to permit them to carry on.

DUST STORM: "VISIBILITY MAY BECOME ZERO . . . AND BUSINESS COMES SLOWLY TO A HALT"

THERE'S A BOOM IN PROFITS, TOO

First-Quarter Earnings Hit New Peaks

Profits of U.S. business are climbing, beating even the most optimistic forecasts.

Many companies, in first three months of 1955, hit new highs. Trend will carry well into 1956.

Dividends in 1955 will be at least 10.6 billions, a record.

The story being told right now by earnings reports of corporations is one that brings cheer to the hearts of most stockholders. In company after company, earnings for the first three months of 1955 are breaking records.

Not only were profits good in the first quarter of the year, but there is a prospect for very many companies and many industries that they will be still better in the second quarter. Chances are that aggregate earnings will level out, or maybe dip a bit, in the third quarter, and rise again in the fourth quarter. The signs are that the last three months of 1955 will turn out to be the best profit months of the year, and that the first six months of 1956 will set still higher records for earnings.

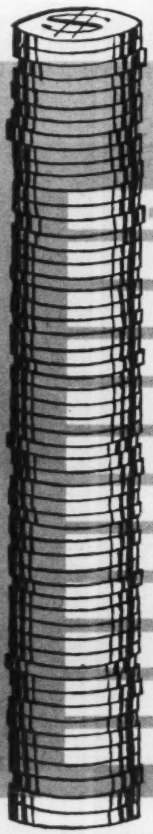
All of this points to higher dividends for stockholders in 1955 than they received in 1954. The total amount of dividends this year almost surely will set records. So far this year, dividends have been running 6 per cent ahead of a year ago. That prospect, in turn, argues against reversal of primary trends in market for stocks. There is no present sign of a bear market.

Wage boosts next? Rising profits, however, have another side to them. Their appearance is attracting the eyes of labor leaders who are demanding wage increases. When the first-quarter profits of the steel industry, just being reported, showed sharp increases over a year ago, some unions immediately gave notice of intent to reopen bargaining on wage rates. That story is being repeated for many companies and many industries.

Rising profits, at the same time, mean rising income for the Government out of taxes on those profits. This higher income for Government brings closer the time when outgo and income will be balanced and when there can be another cut in taxes. Tax cuts, in turn, may add still more to the profits corporations can reinvest or pay out in the form of dividends.

As the flow of financial reports from corporations discloses one new profit high after another, the reports also disclose that some industries are not sharing in the rise.

Drop for aircraft, foods. Some leading aircraft manufacturers, for example, show a drop in profits from a year ago.



Rising Profits—

ONE REASON FOR THE BULL MARKET

Year	Profits After Taxes	Dividends	Profits Retained
1929	$8.3 Billion	$5.8 Billion	$2.5 Billion
1939	$5.0 Billion	$3.8 Billion	$1.2 Billion
1946	$13.4 Billion	$5.7 Billion	$7.7 Billion
1947	$18.2 Billion	$6.5 Billion	$11.7 Billion
1948	$20.3 Billion	$7.2 Billion	$13.1 Billion
1949	$15.8 Billion	$7.5 Billion	$8.3 Billion
1950	$22.1 Billion	$9.2 Billion	$12.9 Billion
1951	$18.7 Billion	$9.1 Billion	$9.6 Billion
1952	$17.2 Billion	$9.1 Billion	$8.1 Billion
1953	$18.3 Billion	$9.4 Billion	$8.9 Billion
1954	$17.8 Billion	$9.9 Billion	$7.9 Billion
1955	$19.6 Billion	$10.6 Billion	$9.0 Billion

Source: Previous years, Commerce Department; 1955, estimates by USN&WR Economic Unit

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This decline is resulting from cuts in defense spending that are showing up in reduced deliveries of military planes. Other companies that had been heavily engaged in defense contracts also are reporting lower profits for this year.

Competition is bringing lower profits to some large food-store chains, and some food processors are not doing as well as they have in the past. Some theater chains and amusement companies also seem to be having a rather hard time.

By and large, however, the trend in earnings is strongly upward, with most companies reporting profits higher than in the earlier boom year of 1953.

Large profit gains reported in the steel industry, are shown in the table on this page. Steel operations are running well ahead of a year ago and orders are reported to be high. Prospects are that steel companies will show even larger profits in the second quarter than during the first quarter of the year. Profits for most steel companies are running well ahead of early months of 1953.

Steel and autos, in fact, are sparking the upsurge in production that has marked all the months of 1955. General Motors Corporation, the leader in the auto industry, turned in a record-high earnings report. Other large companies in this industry also are doing well. The smaller manufacturers in the auto industry are not reporting a large volume of profits, but some of those who showed losses last year now are edging into the black.

Builders' bonanza. Lines connected with the building industry are cashing in on the construction boom. Cement manufacturers are operating at a high level and are expanding capacity. Their profits now are running at a record rate. Rising profits also are reported by glass manufacturers, who supply not only the building industry but the auto industry as well.

Spreading prosperity is showing up in the profit reports of most other industries, too. Copper refiners are increasing earnings and reporting good prospects for the remainder of the year. Aluminum companies are following in the footsteps of steel and copper. Chemical companies, which saw profits shrink last year, are climbing back fast. The oil industry, on the whole, shows improved earnings, and so do producers of household appliances. Railroads and airlines, which saw profits slip badly in 1954, are making a substantial recovery.

Reasons for rising profits are not hard to find. Most important is the general rise in business activity that began late last year. That brought larger orders, increased production and led to higher profits. Also, since World War II, industry has invested an estimated 170 billion

How Profits Are Running in '55

Company	Earnings Per Share 1st Quarter		
	1953	1954	1955
General Motors	$1.70	$2.13	$3.43
Mack Trucks	.57	.07	.84
Du Pont	1.19	1.56	2.00
Dow Chemical	.35	.32	.46
Monsanto Chemical	1.08	1.09	1.63
Merck	.35	.31	.35
Parke, Davis	.45	.41	.64
General Electric	.39	.56	.58
Maytag	.87	.69	1.32
Zenith Radio	4.28	1.68	4.21
Armco Steel	1.49	1.75	2.41
U. S. Steel	1.65	1.48	2.49
Bethlehem Steel	3.06	2.73	3.51
Republic Steel	2.26	1.79	2.38
Caterpillar Tractor	1.49	1.35	1.64
Allis-Chalmers	1.55	1.68	1.47
Revere Copper & Brass	1.68	1.80	2.32
Reynolds Metals	2.75	2.16	3.54
National Lead	.50	.67	.84
Lehigh Portland Cement	.44	.56	.74
Armstrong Cork	1.64	1.75	1.92
International Business Machines	1.88	2.47	2.78
Underwood	.68	.20	.58
Texas Gulf Sulphur	.63	.70	.88
Standard Oil (N. J.)	2.08	2.44	2.70
Gulf Oil	1.51	1.56	1.77
Libbey-Owens-Ford Glass	.76	1.25	1.78
Owens-Corning Fiberglas	.44	.54	.60
Best Foods	.65	.79	.83
National Dairy Products	.49	.56	.62
Douglas Aircraft	1.22	2.41	1.93
North American Aviation	.77	1.77	2.51
Republic Aviation	1.56	.69	2.89
American Airlines	.24	.06	.30
United Air Lines	.04	.53*	.09
Atchison, Topeka & Santa Fe	3.73	2.25	2.27
Illinois Central	1.80	1.18	1.66
New York Central	.97	.07*	1.83
American Telephone & Telegraph	2.89	3.01	3.18
Jersey Central Power & Light	7.52	9.07	9.32
Lone Star Gas	1.26	1.59	1.67
Budd Company	.74	.33	1.26
B. F. Goodrich	.97	1.02	1.12
Safeway Stores	.79	1.01	.57
Western Auto Supply	.77	.24	.33
Climax Molybdenum	.80	1.33	1.77

*Deficit

[continued]

THERE'S A BOOM IN PROFITS, TOO

dollars in new plant and equipment. That investment is paying off in improved efficiency, which lowers costs and adds to profit.

Efficiency in operations has improved further through stable prices and stable conditions in labor. Managements are better able to calculate costs, and thus figure profits, when they are reasonably sure that prices for their materials will not change much and that labor turnover can be held down.

These lower costs probably will enable some industries to meet union demands for higher wages, without increasing prices for their products. That will not be true of all industries, however. One leading steel producer already has indicated that prices for steel should rise and that this will be a certainty if a wage increase is given to steelworkers.

—USN&WR Photo

ON THE STOCK EXCHANGE
. . . no sign of a bear market

Smaller firms lag. Profits reports now coming in are made for the most part by large corporations. It is quite likely that the rate of earnings for these companies is higher than for corporations as a whole. The Commerce Department reports that the upturn in orders and sales of manufacturing firms is more marked among large companies, with assets of 50 million dollars or more, than among their smaller competitors. The Department adds that sales of the largest firms in the durable-goods field—manufacturers of autos, furniture, appliances—have fully recovered to the high 1953 rate, but that smaller concerns still have some gap to fill.

In the aggregate, however, after-tax profits this year are expected to approach the all-time high years of 1948 and 1950. Indications now are that profits, before taxes, will come close to the 40 billions earned by U. S. corporations in 1950, and top the 32.8 billions earned in 1948. But taxes now are higher than in either of those years, so earnings, after taxes, may not reach these earlier heights.

Dividend payments, on the other hand, appear almost certain to top any other year. Even in 1954, when profits sagged, dividends increased. Now that profits are rising, dividends are likely to follow along. Since 1951, corporations, on the whole, have tended to pay out a larger share of their earnings to stockholders than they have held back for reinvestment. There is no sign that this policy is shifting. So dividend payments are estimated by the Economic Unit of *U. S. News & World Report* to rise to at least 10.6 billions in 1955, from 9.9 billions in 1954. That estimate may prove to be conservative.

This prospect of rising profits and higher dividends is doubtless an important influence behind the present level of prices on the nation's stock exchanges. Stock prices began to rise in 1953, at a time when industrial activity was slowing down. That rise continued through 1954, apparently reflecting investors' confidence that the setback would be short-lived. That confidence has been justified, and stock prices for leading corporations have advanced further.

Drop in output? In the months ahead, production is not expected to rise as much as in the period just past. Output of automobiles is generally expected to decline in the second half of the year, and that will lead to smaller orders by auto companies for steel.

A dip in building activity also is considered probable as the year goes on. Construction, when seasonal influences are considered, is running at an all-time high, well above the peak rate of last year. That pace is not expected to continue.

On the other hand, demand is increasing for home appliances and other expensive household goods. Business firms are adding to their plans to expand, which means larger outlays for equipment and new plant. Signs are increasing of a larger demand for shoes, clothing, and other kinds of soft goods that go into day-to-day living. The rubber industry counts on a larger volume of business for the current year.

Summer decline. These prospects suggest that activity probably will show the usual drop in the summer months of July and August and that production will run below the current rate for the July-September period. However, an upturn is to be expected in the closing months of the year, just as an upturn took hold in the closing months of 1954. By that time, automobile companies will be turning to new models for the 1956 market. Other industries will be producing for the Christmas trade.

This upturn shows every sign of carrying into the first half of 1956. A recovery from a business setback ordinarily continues for 18 to 24 months, at least. The present recovery began late in 1954 and there is nothing in the outlook to suggest any sharp interruptions. So the signs are business will continue at a high level for at least another year.

This means that profits, too, will remain high for this period. The rise in profits in the months ahead may not be as rapid as in the months just past. Costs have a tendency to creep higher as business volume increases, and this trend may put a mild brake on profits. Nevertheless, for the year as a whole, profits seem almost certain to rival the best years on record.

It also is becoming increasingly clear that 1955, which got off to a running start, is to wind up as the most prosperous year in history for the economy as a whole.

A longer-range forecast, by the President's top business adviser—page 54.

Cadillac

Favorite of All Nations !

At a conservative estimate, fifty per cent of all the motorists in America would rather own a Cadillac than any other automobile.

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Dynamics in 1954

Merged Consolidated Vultee Aircraft into the Corporation as a Division. ***Launched*** "USS Nautilus," world's first atomic submarine. ***Constructed*** an atomic reactor for the U. S. Air Force. ***Flew*** the Navy's XFY-1 "Pogo-Stick" vertically and horizontally. ***Started*** production of Air Force F-102A supersonic all-weather jet interceptor. ***Received*** Canadian Government contract for new 4-engine Maritime Reconnaissance aircraft.

RESULTS IN BRIEF	1954	1953 (1)
Net Sales	$ 648,641,241	$ 577,347,511
Profit Before Taxes	43,895,472	28,018,866
Net Earnings	20,795,472	13,193,866 (2)
Earnings Per Common Share (3)	$4.72	$3.27
Cash Dividends	7,438,453	6,738,945
Working Capital	67,317,700	62,459,971
Net Worth	88,729,634	74,471,555
Backlog	1,007,800,000	902,500,000

(1) ON A PRO FORMA BASIS, INCLUDING CONSOLIDATED VULTEE AIRCRAFT CORPORATION. (2) EXCLUDING EXTRAORDINARY INCOME. (3) ADJUSTED TO GIVE EFFECT TO 2-FOR-1 STOCK SPLIT-UP ON MARCH 10, 1955.

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HOW RADICAL ARE AMERICANS?

Majority Would Clap All Communists in Jail

Here are some new findings that are stirring up a fuss now—

Most Americans would put any Communist in jail.

About 3 out of 4 would not let him speak in their towns.

Fewer than half would let Socialists teach in colleges.

Three out of 5 would ban an antichurch book by an atheist.

A simple poll of the public—a few questions, with replies written down and results added up—is creating quite a furor. It is causing politicians to reappraise their positions. Articles and editorials are filling newspapers and magazines. Even the work of soap salesmen is being affected by it.

Here is what all the talk is about:

It now turns out that the American public is less tolerant of people and things that are strange and different than a good many leaders thought it was.

Especially does the public frown upon atheists, Socialists and Communists. It would deal far more drastically with them than would most of the people who head up community organizations and try to speak for the general public in the towns, cities and rural areas across the country.

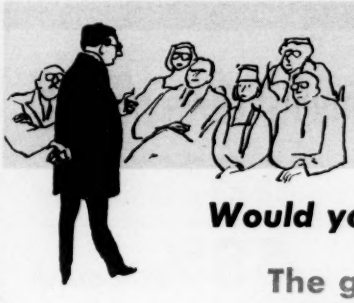
Roundup of attitudes. Those conclusions come from a survey made under the auspices of the Fund for the Republic, financed by the Ford Foundation. Skilled interviewers from two big polling agencies talked with more than 6,000 persons—1,500 of them were community leaders—to find out how they felt about atheists, Socialists and Communists, and about conformity to the familiar patterns of life.

The replies gathered during the months of interviews were turned over to Samuel A. Stouffer, director of the laboratory of social relations at Harvard University. Out of it, Mr. Stouffer has written a book, "Communism, Conformity and Civil Liberties" (copyright, 1955, by Samuel A. Stouffer).

On the basis of his findings, Communists would get far more rigorous treatment from the general public than anything that has been suggested by civic leaders as a group. Even the regents of the Daughters of the American Revolution, whose positions in the poll often turn out to be more "conservative" than those of most of the other community leaders, are more tolerant of Communists than is a majority of the general public.

The book shows, among other things:

- A majority of the general public would put a Communist in jail.
- Three of each 4 Americans would take away American citizenship from a Communist. About the same proportion would refuse him the right to speak in their community or punish him severely for refusing to answer questions about Communism before a congressional committee.
- Two of each 3 of the general public would fire a Communist as a clerk in a



LET COMMUNISTS TALK? AMERICANS ANSWER THIS WAY

Would you let a Communist speak in your community?

The general public — **27% would**

Community leaders as a group — **51% would**

Percentage of community leaders who said in a series of polls they would let a Communist speak in their communities:

Regents of Daughters of American Revolution	39%	Commanders of the American Legion	47%
Presidents of women's clubs	39%	Democratic county chairmen	56%
Mayors	39%	Republican county chairmen	59%
Presidents of school boards	40%	Chairmen of community chests	62%
Presidents of parent-teacher associations	43%	Presidents of bar associations	63%
Presidents of labor unions	45%	Presidents of library boards	67%
Presidents of chambers of commerce	46%	Newspaper publishers	73%

Source: "Communism, Conformity, and Civil Liberties," copyright 1955, by Samuel A. Stouffer

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store. Nine of each 10 would fire him as a teacher in high school or college. Three of each 5 would fire him as a singer on a radio program, but a majority would not refuse to buy any product he advertised.

- Seven of each 10 think they ought to report any neighbor to the Federal Bureau of Investigation if they suspect that person of being a Communist.
- One of each 3 would break friendship with anyone who had been a Communist in the past, even though that person says he is not one now.

Fewer leaders go along. On a majority of these questions, the civic leaders go along with the general public, but not by the same top-heavy percentages.

A majority of community leaders would close libraries to books written by Communists. These leaders would fire Communist teachers and clerks, take citizenship away from such persons, refuse to buy products advertised by Communists over radio, report to the FBI any neighbor suspected of being a Communist, and break off friendship with a person who admitted having been a Communist but who now says he is not.

Almost 2 of each 3 community leaders feel that a Communist should not be put in jail, however. And, by a small majority, they would permit a Communist to speak in their communities.

Sharper differences show up between the public and the community leaders in their reactions toward Socialists and atheists.

A majority of the general public would not allow a Socialist to teach in a college. By a small margin, a majority of the community leaders would permit him to do so.

Among the general public, 3 of each 5 would ban from its libraries a book written by an atheist against churches and religion. Only 1 of each 3 of the community leaders would go along with this. But neither group would permit an atheist to teach in a college. About 2 of each 3 community leaders would let an atheist speak in their locality; by about the same proportions, the general public would refuse to let him talk.

Wide differences. Fourteen separate groups of civic and community leaders were questioned in the survey, and their replies were balanced against those from the general public in their own communities and elsewhere. Wide variances showed up among these groups of leaders. (See chart on this page.)

Among the political county chairmen, more Republicans than Democrats would grant a Communist or an atheist the right to speak. More Democrats than Republicans would give a Socialist the right to speak.

A majority of the commanders of the American Legion would refuse permis-

How To Treat Communists: THE AMERICAN

Would you put a Communist in jail?

General public	51% would
Community leaders	27% would

Would you fire a Communist as a teacher in a college?

General public	89% would
Community leaders	86% would

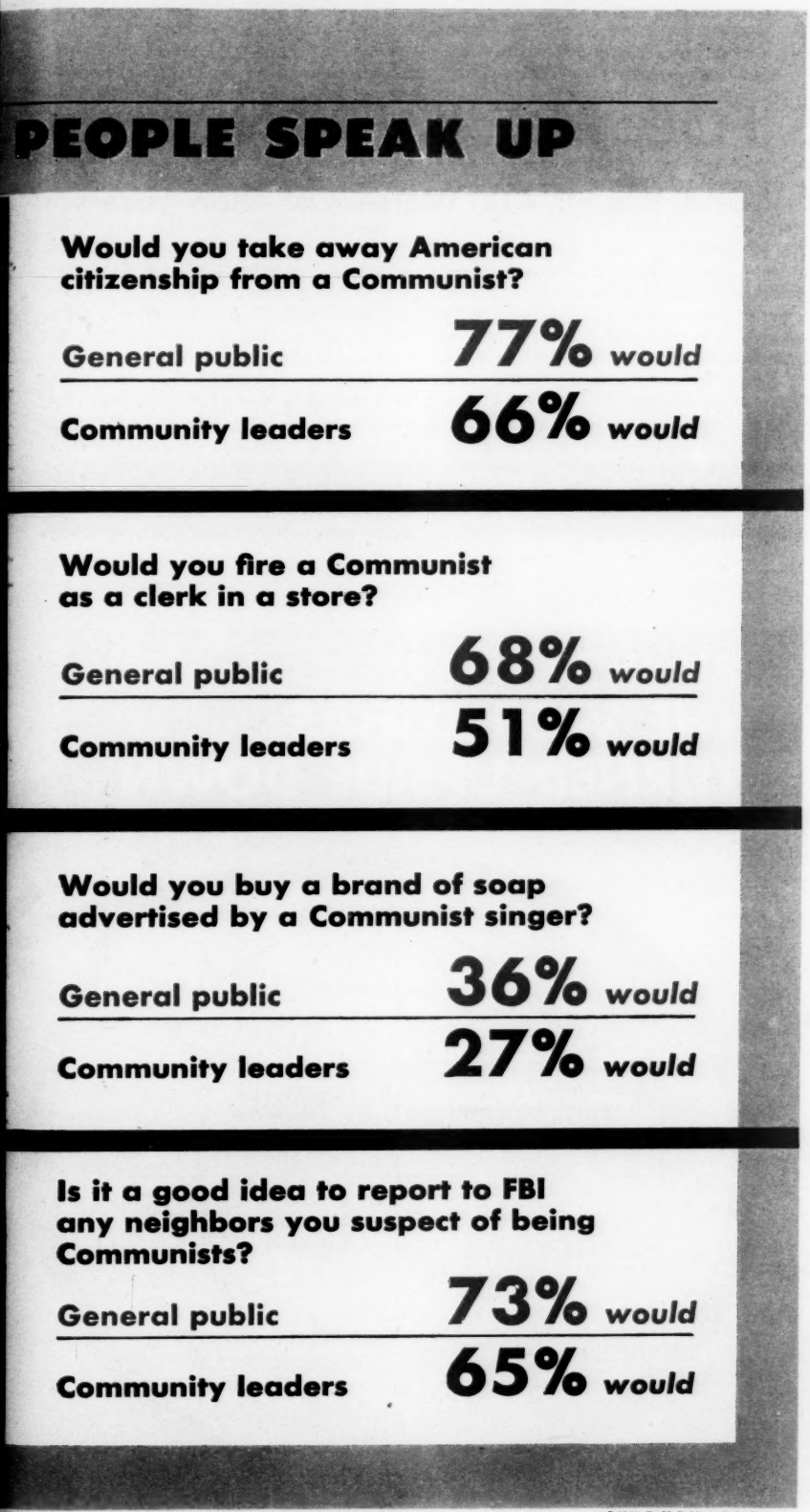
Would you fire a Communist radio singer?

General public	63% would
Community leaders	48% would

Would you break your friendship with a person who had been a Communist until recently but now says he is not one?

General public	34% would
Community leaders	28% would

Source: "Communism, Conformity, and Civil Liberties," copyright 1955, by Samuel A. Stouffer


PEOPLE SPEAK UP
Would you take away American citizenship from a Communist?
General public 77% would
Community leaders 66% would
Would you fire a Communist as a clerk in a store?
General public 68% would
Community leaders 51% would
Would you buy a brand of soap advertised by a Communist singer?
General public 36% would
Community leaders 27% would
Is it a good idea to report to FBI any neighbors you suspect of being Communists?
General public 73% would
Community leaders 65% would

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sion to Communists and atheists to speak. They would grant this right to Socialists.

A majority of the regents of the Daughters of the American Revolution would withhold permission to speak from a Communist. They would grant it both to the atheist and to the Socialist.

Presidents of labor unions were less willing to let either Communists, atheists or Socialists speak in their communities than were the presidents of chambers of commerce. In each case, however, a majority would permit the atheist and the Socialist to speak, but would ban the Communist.

Publishers most "tolerant." Newspaper publishers, the presidents of bar associations and library boards would give more freedoms to Communists, atheists and Socialists than would any other group of community leaders polled.

Younger age groups would give more freedoms to those of alien doctrines than would older persons.

College graduates voted for more freedoms, fewer bans than did those with high-school or grade-school education.

Yet, only 3 persons out of each 100 said they had ever known a person who they thought might be a Communist. About 10 per cent said they knew someone who had acted suspiciously enough to make them think he might be a Communist. Eighty-seven per cent of the people said they never had known a person whom they even suspected of being a Communist.

What's a Communist? The handful who thought they had seen a Communist gave a wide assortment of reasons for believing they had.

"He was always talking about world peace," said a housewife.

"I saw a map of Russia on the wall of his home," wrote a locomotive engineer.

"He wrote his thesis in college on Communism," said a dentist.

"He was not like us," replied the vice president of a bank.

"The literature they read and the way they talk—atheists," thought a farmer.

"He brought a lot of foreign-looking people into his home," said a housewife.

"He voices ideas with abandon," wrote an accountant.

"A preacher: He gave me a radical-sounding paper to read—that we should all be equal as the leaves on a tree are equal," reported a housewife.

"My husband's brother drinks and acts commonlike; sometimes I kind of think he is a Communist," said another housewife.

In spite of the widely varying ideas of what is a Communist, the American public has no doubt about how to deal with admitted Reds: It would treat them rough and grant them fewer freedoms than would its own community leaders.

After 10 Years—

FRIEND IS FOE, FOE IS FRIEND

And Some Winners of World War II Are Worse Off Than Losers

What's happening today is a lot different from what people expected 10 years ago, when the fighting in Europe ended.

Then Russia was America's ally. And so was China. Germany, Japan and Italy were the enemies.

Now the world of 1945 is all topsy-turvy. And Americans are beginning to wonder: Who will be on the U. S. side in 1965?

It was on May 7, just 10 years ago, that another war to end all wars came to an end in Europe. Germany had surrendered unconditionally. Italy had given up months earlier. Japan was on her last legs.

All of America's enemies were defeated, almost destroyed. The future appeared bright. American and Russian troops were fraternizing in what seemed like a new and lasting friendship.

History's greatest alliance, tested by war in Europe and Asia, was planning to shape a powerful United Nations that would police a world of friendly powers able to build peace for a long time.

Ten years, a single decade, have gone by since then.

Switching roles. Today, one ally of 1945—Russia—is an enemy. That enemy has used every weapon short of outright war to conquer foe and friend alike.

Another ally of 1945, China, conquered by Communists, today is also an enemy—still technically at war with U. S. in Korea.

The No. 1 enemy of the U. S. 10 years ago—Germany—today is an ally. It is to Germany that the U. S. now looks as the partner of the future who can keep in check yesterday's ally and today's enemy, Russia.

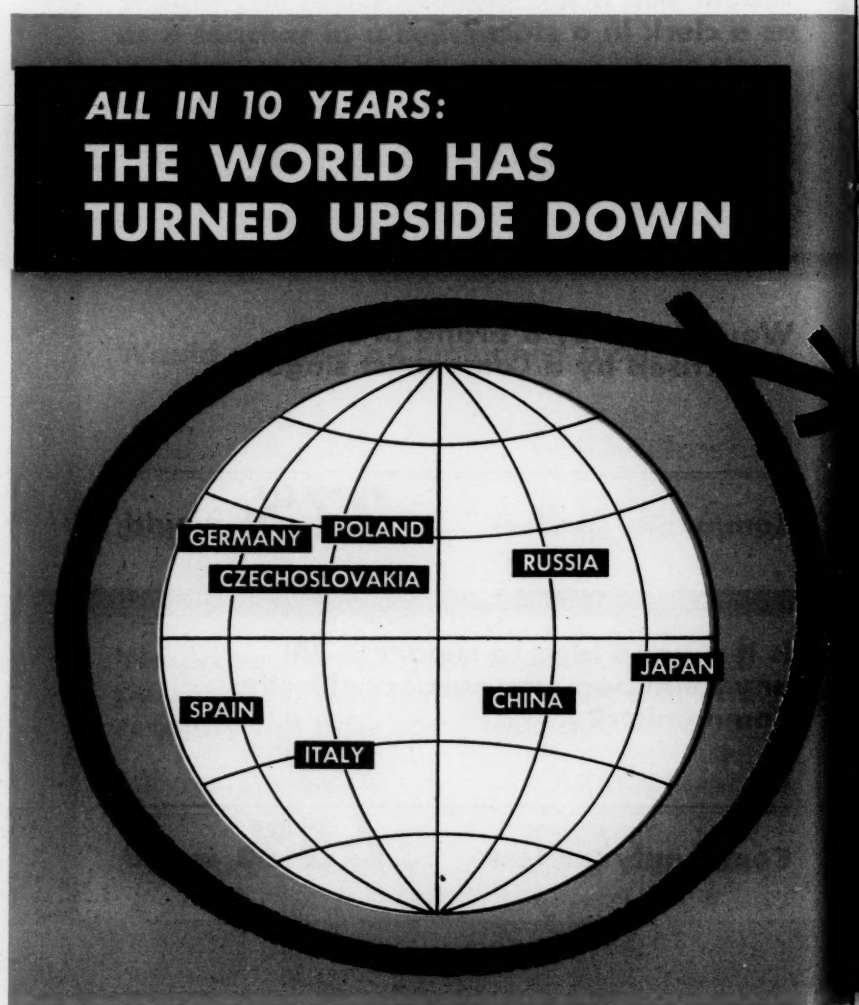
The No. 2 enemy of the U. S. 10 years ago—Japan—today is another ally. The hope of reconquering Manchuria, on the mainland of Asia, is being held out to this former enemy to rekindle her interest in holding in check a former ally, China.

It was less than 14 years ago that the American people, through their Government, refused to recognize Japanese conquests on China's mainland. War followed—a war in which Americans fought to save China from Japan. Today Red China is an enemy, after fighting U. S. in Korea for nearly three years. And Japan is the friend.

Less than 16 years ago, Great Britain and France accepted war rather than allow Nazi Germany to grab Poland. But now Poland is gone—dismembered, a satellite of the present-day enemy, Russia, while Germany is the ally. And Czechoslovakia, the creation of the U. S. and the Western Allies after World War I, now is gobbled up as another satellite of the enemy, Russia—who not long before was a friend.

Confusing picture. Thus the world of 1945, in a mere 10 years, has been turned topsy-turvy. The chart on these pages show what has happened. Friend has turned foe and foe has become friend.

All of this is beginning to strike many Americans as bewildering. It is dawning upon people that wars are not always



simple—and wartime alliances are not always permanent.

Signs of bewilderment are being noted, too, in moves just developing. An ally, Nationalist China, which U. S. thought it had saved by fighting a big war against Japan, now is being asked to give up what real estate it still possesses to an enemy, Communist China, which has just got through fighting a bloody war against Americans.

Sometimes, Americans are becoming aware, it is hard to tell who is an ally and who is not. A country may be America's friend in one part of the world, not so friendly elsewhere.

Britain is commonly regarded as America's closest ally. It is firmly with the U. S. in Europe. Yet Britain differs often with U. S. in Asia.

Just two weeks ago, when 29 Asian-African nations met at Bandung, Indonesia, Americans were fearful that a new and menacing alliance of nations might be forming against the West. Yet, when the chips were down, nations that had been viewed with suspicion lined up for U. S. against Communism. The U. S., it turned out, had friends where it had expected to find enemies.

Looking back on the big shifts in world alignments that have occurred in just the last 10 years, some Americans now are realizing that other, perhaps even bigger shifts may lie ahead. It may turn out that some of today's enemies will become friends, while present friends become enemies.

Outlook for future? Who, it is being asked, will be on America's side 10 years from now?

Will West Germany, which fought America in two wars, stay put in this strange new alliance with its former foes? What might happen if Russia should offer reunification of all Germany at a price that the U. S. could not match?

What about Japan? It is friendly with America now, welcomes financial help from the U. S. But Japan's big natural markets lie in the Orient, now dominated by Red China. Will sheer economic pressure force Japan into some kind of deal with the Communists?

The U. S., history shows, can gain new allies as well as lose old ones. Poland and Czechoslovakia were friends of the U. S. once. They turned against the U. S. only under severe pressure from Russia. If they ever escape from Russia's clutches, might they not turn toward the U. S. again?

Not even Russia, today's major enemy, is ruled out by some people as a possible friend of the future. Russia's Communist dictatorship, it is suggested, cannot last forever. Suppose a revolution should occur. Or what if the militant Communism of today should grow into a moderate system less hostile to Western-style capitalism? Could America, it is asked, do business with a new Russia?

The same possibility of change is

ALLIES OF U. S. IN 1945 — ENEMIES NOW

RUSSIA—Saved in World War II by U. S., now the most dangerous U. S. foe

CHINA—Rescued from Japan by U. S., now threatening war on U. S.

POLAND—Nation for which Britain, France entered war, now a Soviet satellite

CZECHOSLOVAKIA—Created by Western Powers after World War I, now under Communist domination

ENEMIES OF U. S. IN 1945 — ALLIES NOW

GERMANY—Fought against U. S. in two wars, now to be rearmed as an ally

JAPAN—Attacked U. S. at Pearl Harbor, now a U. S. bastion in Far East

ITALY—Ally in one war, foe in another, now back on the side of the U. S.

SPAIN—Favored Axis in World War II, now an ally providing U. S. bases

10 YEARS FROM NOW:

Who will be America's allies? Who will be its enemies?

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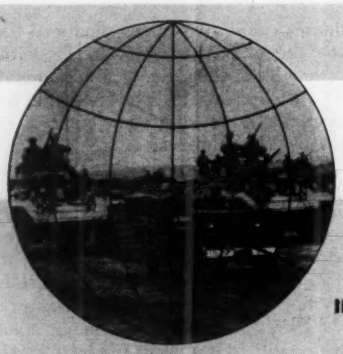

WHO REALLY WON THE WAR

	IN WORLD WAR II, ON SIDE OF —	SINCE THE WAR, FORTUNES HAVE GONE —
Great Britain	WINNER	DOWN — Empire has shrunk, wealth declined
France	WINNER	DOWN — Has lost colonies, is in financial trouble
Germany	LOSER	DOWN — Country has been divided and occupied
Japan	LOSER	DOWN — Lost empire, is in economic trouble
Italy	LOSER	DOWN — Empire liquidated, its economy weak
Poland	WINNER	DOWN — Lost territory, is under Soviet domination
Czechoslovakia	WINNER	DOWN — Has become a Soviet satellite
China	WINNER	UP — Now a world power, though Communist ruled
United States	WINNER	UP — Has grown in power, gained in prosperity
Soviet Union	WINNER	UP — Built an empire, is now a major power

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also suggested for China. That country, when non-Communist, was America's friend. Freed of its Communist dictators, might it be again?

It is questions such as these that are creating, in some Americans, a different concept of war and of international diplomacy. Alliances—and the prices paid to buy some of them—are being looked at from a new and critical viewpoint.

Does winning pay? What has happened since World War II also is causing another kind of bewilderment. People are beginning to wonder if it always pays to win a war, and whether it is necessarily disastrous to lose one.

West Germany is seen to be prospering, recovering from its war-end ruin faster than anyone would have believed possible 10 years ago. After fighting its first war to end all wars in 1917-18, the United States invested heavily in rebuilding its beaten enemy, Germany. Now the U. S. again is helping to rebuild Germany, and this time to rearm her as well.

American taxpayers' money also has gone into rebuilding two other defeated enemies, Italy and Japan.

"The way to win a war," it is being quipped, "is to lose it to the U. S."

Wars themselves turn out to do strange things for winners as well as losers. The chart on this page shows what happened to some of the principal belligerents of World War II.

Empire to Commonwealth. Britain won two wars with U. S. help, only to lose in the end. Huge chunks of her once-great Empire have slipped away since her victory over Germany. Burma is gone. India, Pakistan and Ceylon have won self-rule, are held to the British crown by only the slightest of ties. Britain is having trouble in Malaya, Kenya and Cyprus. Canada and Australia are becoming yearly more independent of Britain, drawing closer to the United States.

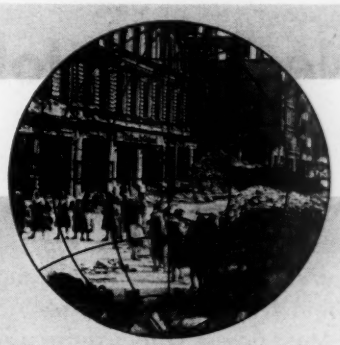
A British empire that once ruled more than 400 million people and one fourth of the world's area has shrunk to a Commonwealth smaller in size and far less subject to British control.

Economically, Britain's reward for winning the war has been a lot of austerity, instead of prosperity. The rich trade that followed the flag has retreated with the flag, while nations that Britain conquered snatch up its former markets. The pound sterling, once the world's premier currency, has had to be devalued, still has to be controlled. And borrowed U. S. dollars prop up Britain's economy.

France came out on the winning side in two world wars. Now it is down to the status of a second-rate power. France couldn't even defend its richest colony, Indo-China, against a motley band of Asians fighting under Communist direction. Economically, France is in chronic trouble. And its prestige as a continental power is greatly diminished.

China, a minor power before the war, now is rated by many as a major power. It fought the U. S. to a standstill in Korea, provided the military strength that whipped the French in Indo-China. And China did all this after being overrun by invading Japanese and fighting a destructive civil war.

MILLIONS DIE IN WAR —BUT POPULATIONS KEEP ON GROWING



	PREWAR POPULATION	ESTIMATED DEAD IN WORLD WAR II	POPULATION NOW
Soviet Union	170,000,000	12,000,000	213,000,000
United States	131,820,000	407,828	164,367,000
Great Britain	47,762,000	305,308	50,875,000
China	458,313,000	3,000,000	600,000,000
Japan	70,850,000	821,000	88,200,000
France	41,300,000	530,815	42,860,000
Italy	43,112,000	100,000	48,443,000
Germany	69,317,000	7,000,000	70,000,000

Source: Populations based on U. N. Statistical Yearbook and government statements

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Real winners: U. S., Russia. World War II's biggest winners, it is turning out, were the U. S. and Russia. The Soviets, backward and isolated before the war, now dominate Eastern Europe and Asia, control as satellites several countries by which they used to be ignored. Russia's economy, once rural, is becoming industrialized. It boasts the largest armed force in the world.

United States, rich and strong before the war, is even richer and stronger now. Despite the billions poured into the fighting, more billions of wealth have grown in their place. Once a bystander in world affairs, U. S. now is an active participant, its influence felt on every continent, in every dispute between nations.

Net effect of World War II has been to give the world two great powers—U. S. and Russia.

Yet victory brought to these great powers troubles as well as profit. Each is saddled with a tremendous military burden, forced to spend huge sums on armaments to defend the position that it won by war. And the armies they maintain, at such effort, are directed against each other—the former allies.

Meanwhile, the nations that lost the war are escaping lightly in defense costs. A demilitarized Germany has been able to pour its wealth and energy into industrial production, making goods to sell at a profit, while its conquerors were making arms at a financial loss. And now, when it does rearm, Germany is counting upon its former foe, the U. S., to bear much of the expense.

Japan and Italy, likewise, have escaped the big defense costs forced upon their conquerors.

Blessings of defeat. People are witnessing the strange spectacle of countries that started and lost a war being defended by the very nations that they tried to conquer. Defeat, it turns out, has its advantages as well as victory.

People also are finding today, 10 years after the war, that even wars of the modern destructive type do not wipe out populations. Wars once were regarded, like famines, as a way of holding down the growth of population, keeping the number of eaters within the limits of the food available.

World War II outdid any previous war in killing. Its dead totaled more than 24 million. Russia alone lost, by its own estimates, at least 12 million people. Germans count their dead near 7 million. China reckons its losses near 3 million. Even the U. S., which was never invaded or bombed, sacrificed 407,828 lives in the war.

Yet look at the population figures listed on this page, and you find that every big nation that fought in World War II is more populous now than it was before the war began.

Wars, people are learning, produce unexpected results. The winners are not always apparent on the day the fighting stops. The allies that gather around the peace-conference table can be enemies a few years later.

What people are beginning to wonder is: Ten years from now, who will be America's friends, and who will be its enemies? Who really won the war?

Next Big Job for the Atom

To Provide Power for the Ships of the World

Ocean-going merchant ships, both passenger and cargo, are to undergo revolutionary change within five years. Reason—

Atom power will increase payload, step up speed greatly, even change appearance of tomorrow's ships.

Result: fewer but better ships ahead for U. S. ship lines.

It is on the high seas that the atom is to get its first big, long-awaited job involving peacetime power. Ocean-going ships—not planes, trains, or big electric generators for industry—now get priority for atomic development.

Result of this decision, just announced by President Eisenhower, is to be a basic change in the way ships of the future are built, what they can do, even how they look. Immediate construction is planned for one ship. But the new design, most officials now believe, will become apparent in construction of many kinds of ships within about five years.

Effect of using the atom as a means of propulsion will show up in many ways, most of them beneficial, some of them revolutionary. For example—

Fewer ships will be needed. The same amount of cargo and the same number of passengers can be carried by a relatively small number of atom-powered ships, each with a larger capacity, and each making a larger number of trips because of its higher speed and shorter "turn around" time in port.

Just how much more payload can be carried by substituting an atomic engine is not yet clear. From 5 to 15 per cent of the total tonnage of present U. S. cargo ships is taken up by fuel oil. All of this capacity, or virtually all of it, can be used in the atomic ship for cargo or passengers. In addition, the needed atomic reactor is smaller than the oil burners it will replace and, if the amount of shielding does not make up all of the difference, some cargo space may be added.

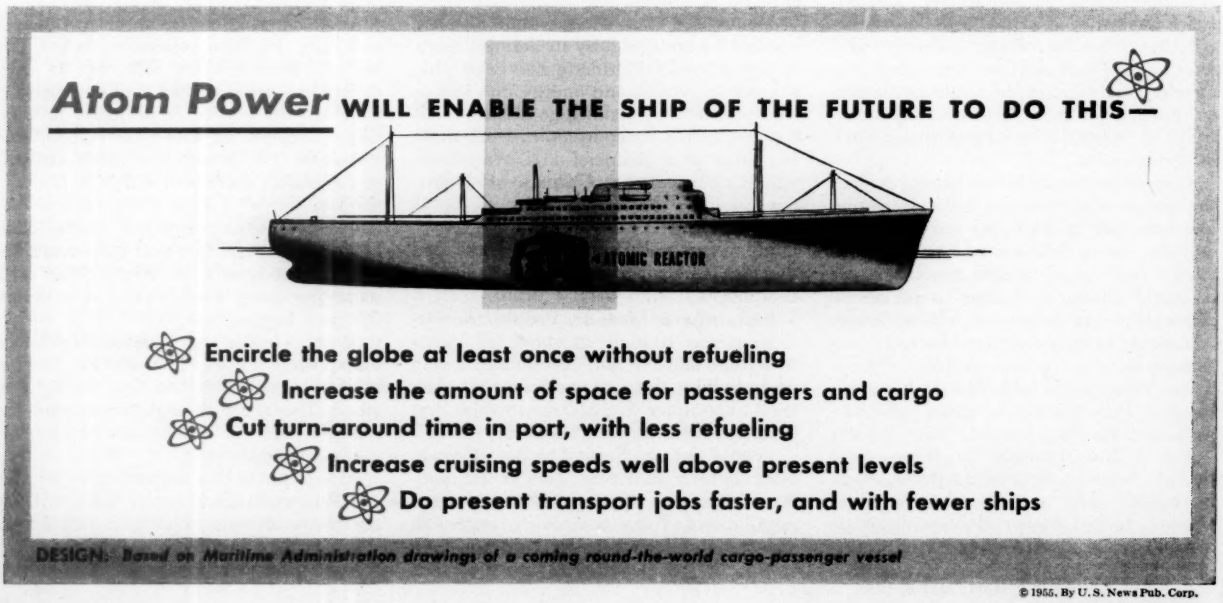
Appearance of the new ships is certain to be changed. Smokestacks no longer will be needed, so that the superstructure may become much more streamlined. Less space inside the ship will be devoted to propulsion, and weight distribution will be changed—so the hull, too, is likely to be basically redesigned.

Speed: how valuable? The new merchant ships may have greatly increased miles per hour. With an atomic engine, the upper limit of available speeds is almost out of sight by present standards. Only the increased cost per mile, for each increase in speed, will hold back general use of much higher speeds at sea. Passenger lines, to which fast schedules are most valuable, may find atomic power desirable for this reason.

Time spent in port will be cut far back. Shorter "turn around" periods will become possible, with the time-consuming job of oil refueling eliminated. The enforced layover to take on oil, for conventional ships, sometimes costs operators $50,000 a day or more in overhead and lost revenue.

Refueling, in fact, probably will not be required more than once or twice a year in these ships of the future. Each may use only a fraction of a ton of fissionable material during the year. A present Victory-type cargo ship, in contrast, will use up about 55,000 barrels of fuel oil in the same 12-month period, spending a large amount of time and labor in refueling.

Beyond shipping. U. S. merchant ships, both passenger and cargo types, thus are to be first in line for radical changes as a result of application of the peacetime atom. Next may be municipal power plants, atomic trains, trucks, airplanes, even automobiles.


Atom Power WILL ENABLE THE SHIP OF THE FUTURE TO DO THIS—
ATOMIC REACTOR
Encircle the globe at least once without refueling
Increase the amount of space for passengers and cargo
Cut turn-around time in port, with less refueling
Increase cruising speeds well above present levels
Do present transport jobs faster, and with fewer ships
DESIGN: Based on Maritime Administration drawings of a coming round-the-world cargo-passenger vessel

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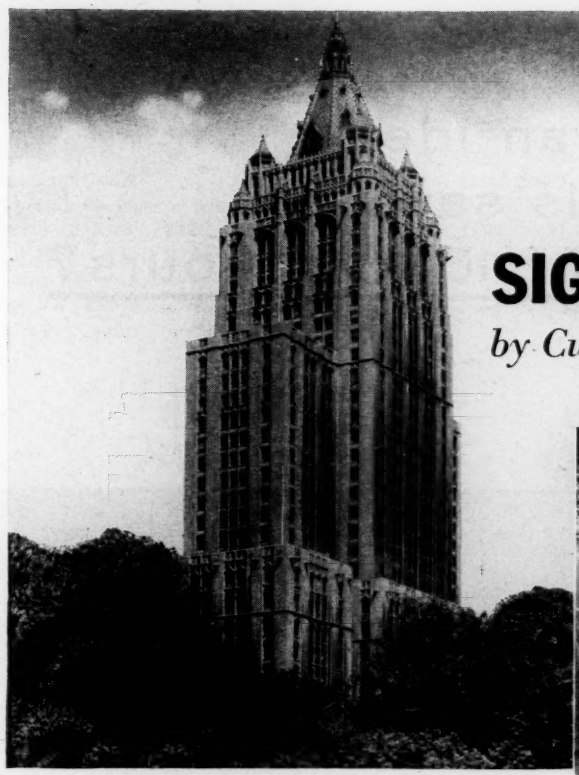

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Jantzen, Inc., world-famous for its swim suits and quality apparel, uses Copyflex to speed and simplify production control paperwork, financial reports, invoices, and general copying work. Used for making copies of original pattern drawings, Copyflex here alone saves nearly $1500 in labor annually.

EVERYWHERE, alert firms like New York Life Insurance Company and Jantzen, Inc. are discovering a new way to make worthwhile savings by using modern Copyflex copying machines to simplify and speed paperwork.

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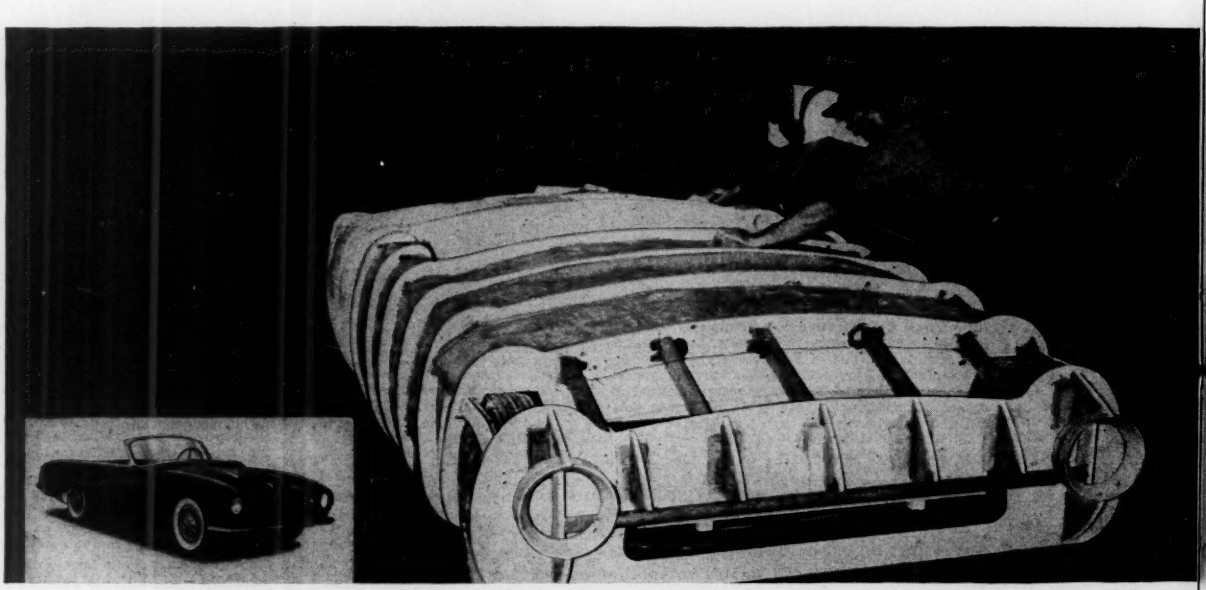


FROM BLUEPRINT TO FINISHED CAR IN RECORD TIME WITH HYDROCAL PLASTER TOOLING

UNITED STATES GYPSUM

Today, more than ever, *time means money!* That's why industry looks to the research leadership of United States Gypsum for ideas and materials to speed up production and hold down costs. One idea alone worked a near miracle for Triplex Industries, manufacturers of the new "Chicagoan" plastic sports car. Through the use of HYDROCAL* gypsum cement for tooling, Triplex was able to complete a plaster working model of the "Chicagoan" in just four weeks—about one-fifth of the time estimated for the construction of a mahogany model.

Just 56 days before the *finished* "Chicagoan" was to go on display, it was still in the blueprint stage. The ease, economy and speed with which HYDROCAL gypsum cement was applied to the metal and wood templates is bound to influence future body design in the sports car field. And this is only one of the many uses that industry is finding for this revolutionary new method of tooling.

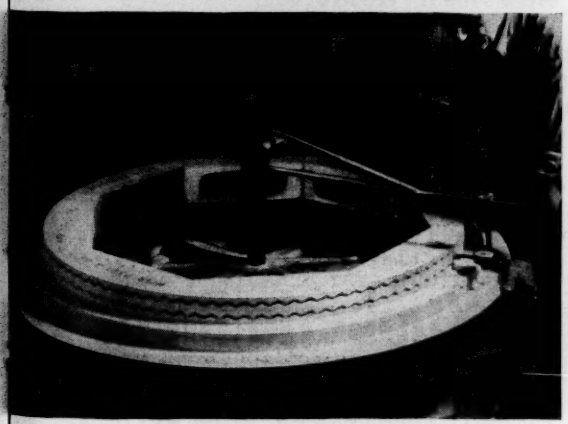
Through the use of EXPAND-X* expanded metal, Molla Inc. has developed designs of unusual beauty in metal furniture, while cutting fabricating and assembly costs. This all-in-one-piece expanded metal has virtually 1,001 uses—grilles, guards, enclosures, shelving, grating and design motifs are just a few. Investigate EXPAND-X for your open-mesh requirements.

Recent improvements in plaster casting techniques have resulted in new uses for nonferrous metal castings. For example, the J. C. Heintz company and other manufacturers of tire molding equipment now cast their most intricate molds in HYDROPERM* plaster. A HYDROPERM core is faster to pour; permits the reproduction of more precise details; provides smoother surface finishes than sand castings.

*T.M. Reg. U.S. Pat. Off.—HYDROCAL and HYDROPERM are super-strength gypsum cements manufactured by U. S. Gypsum Co.

EXPAND-X EXPANDED METAL ADDS CHARM . . . SAVES TIME!

HYDROPERM PLASTER SPEEDS PRECISION METAL CASTING



I M P O R T A N T

MAIL COUPON FOR MORE INFORMATION

United States Gypsum Company
Dept. USN-1, 300 W. Adams St.
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Please send FREE informative literature on the following U.S.G. products for industry:

- ☐ Super Strength Gypsum Cements
- ☐ Expanded Metals
- ☐ Metal Casting Plasters

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How many of your company's products will go into this new home?

"This will be our room," the little girl tells her doll, "and we'll have lots of new things in it."

These "new things" that help build and furnish a new home may include several things your company makes. And in most new homes, too, you'll find a surprising number of wood fiber products of Kimberly-Clark.

One of several kinds of insulation, for example. Perhaps Kimsul "48", the new, self-sealing blanket insulation that is tacked onto plywood sheathing such as Plyscord.

Kimpreg, the plastic coating for the plywood that will panel the walls of the utility room in this new house, comes from the mills of Kimberly-Clark. So does the printing paper for many magazines, including *Small Homes Guide.*

When this young couple's house is finished you'd probably find still other Kimberly-Clark wood fiber products in it—wallpaper, Marvalon shelf and drawer lining, or furniture that has Kimberly-Clark padding and upholstery cording in it.

Hundreds of products made from wood fiber exist today to make American business more profitable—to make the everyday lives of Americans more comfortable. Many more wood fiber products are now being developed. And, in the future, still others will come from the minds of the men at Kimberly-Clark.

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Worldgram®

FROM THE CAPITALS OF THE WORLD

SAIGON....WASHINGTON....LONDON....VIENNA....

>> From the looks of things in Saigon, it seems the U.S. has wandered into another tight fix in Asia, with no convenient exit in sight.

Not so long ago, the headache was Korea. U.S. pitched in there, couldn't solve the Korean problem, couldn't get out of Korea, either, and is still there.

Currently, there's the ticklish business about Quemoy and Matsu. If anyone can tell U.S. officials how to get out of this particular jam without losing an ally and a substantial chunk of U.S. prestige, they'd very much like to know.

Now, you have to add South Vietnam to the list. The shooting in Saigon merely tells the world that the U.S. is again in trouble far from home.

>> Problem in South Vietnam, so far as U.S. is concerned, is to find native leaders who'll agree on running the place, since the French no longer can, and be able to keep it out of the hands of the Communists now in North Vietnam.

That's the job. Many observers in Saigon doubt if it can be done.

But the U.S. has taken it on, and can't conveniently drop it.

>> When you ask why and how the U.S. got into this fix.....

Indo-China, you remember, used to be a French colony, under French rule.

People of Indo-China, though, decided they'd rather rule themselves. The Communists egged them on, figuring it was their big chance. It was, too.

U.S., while opposing colonialism, couldn't side with Indo-Chinese without alienating the French and giving aid and comfort to the Communists. So the U.S. limited itself to warning the Communists and sending arms to the French.

Climax came just a year ago, when Dienbienphu fell. France sued for truce, gave the Communists North Vietnam and called on U.S. to rescue South Vietnam.

The U.S. put on its fireman's hat and answered the alarm. The French are still on hand, too, to offer advice, sometimes at the expense of the U.S.

You can get odds in Saigon that the Communists will probably have all of Indo-China in a few years, anyway. Outlook for U.S.: Unless it wants a war, it probably can't win in South Vietnam. It can't easily get out, either.

>> In London, Sir Anthony Eden can no longer count on an easy victory in the general elections on May 26. He sees trouble ahead at the polls.

Conservatives, just a few days ago, felt very comfortable about the coming elections. Many political experts said the Conservatives were easy favorites over the Laborites. Opinion polls gave Eden's party 100-seat margin in Commons.

Latest opinion polls look very different. They indicate now that Eden may be lucky to get back into power with his present margin of 18 seats.

When Eden thinks back to shifts in opinion in '51, when Churchill led the

(over)

Conservatives back into power.....Opinion samplers, a month before that election, gave the Conservatives a 10 per cent margin. Opinion shifted, though, so that by election eve the Conservative margin was only 3.5 per cent of the popular vote.

Actual vote showed the opinion polls too kind to the Conservatives. Their vote, in fact, was slightly less than Labor's total. But, since what counts is the number of seats won in House of Commons, Conservatives squeaked through.

If 1951 is any guide, Eden has reason to worry. The opinion polls give the Conservatives even less of an edge than they had before the '51 election.

>> Eden, in this situation, is going out of his way to convince the voters that the Conservatives want peace just as much as the Laborites do.

Peace seems to be the No. 1 issue--peace with China, peace with Russia, peace everywhere. Talks at "the summit"? Eden's for them, too.

What's uncertain is whether Labor will forget its big internal split for the duration of the campaign. If it does, Eden will have his hands full.

>> In Vienna, most Austrians are so pleased at the prospect of Soviet troop withdrawals that they forget the price tag on their peace treaty.

As Austrians study the pleasanter side of the deal with Moscow.....

Soviet departure from Austria is of course the biggest boon.

Return of Danubian shipping, agreed to by Russia, is more than Austrians expected. Return of oil fields is another unexpected Soviet concession.

On the other side of the ledger, however.....

Austria's income from occupation forces will end. It came to 60 million dollars last year. Austria's expenditures will have to go up--to equip its own small Army, to rebuild enterprises worn down by Russians. Bill for these items may run to around 56 million dollars a year, a substantial sum for Austria.

But, at the moment, it seems a small price to pay for independence.

>> Elections in Europe are giving the Communists pretty cold comfort.

German voters, in local elections in Lower Saxony, gave Communists just 1.3 per cent of the total vote, gave pro-Nazis very little more, and turned thumbs down on a Soviet scheme for West German neutrality, on Austrian pattern.

Austrian voters, who last year limited the Communists to 5.7 per cent of the total vote in the Soviet zone, this year cut that to 4.4 per cent.

French voters did give Communists in some localities a slightly bigger vote than in past, because of political finagling, but Paris doubts it's a trend.

>> Underlying trend strongly suggests that Moscow is losing West Europe.

Austria is being given up as a bad job.

Italy is kicking its Communists around with rising enthusiasm.

France is refusing to collapse into Moscow's arms as so often predicted.

West Germany persists in voting anti-Communist, pro-West.

Paris pacts, fought so long by Moscow, are going into effect.

In addition: Workers are turning against Communist unions, notably in Italy. Communist politicians, to win votes, are having to tie up with other parties.

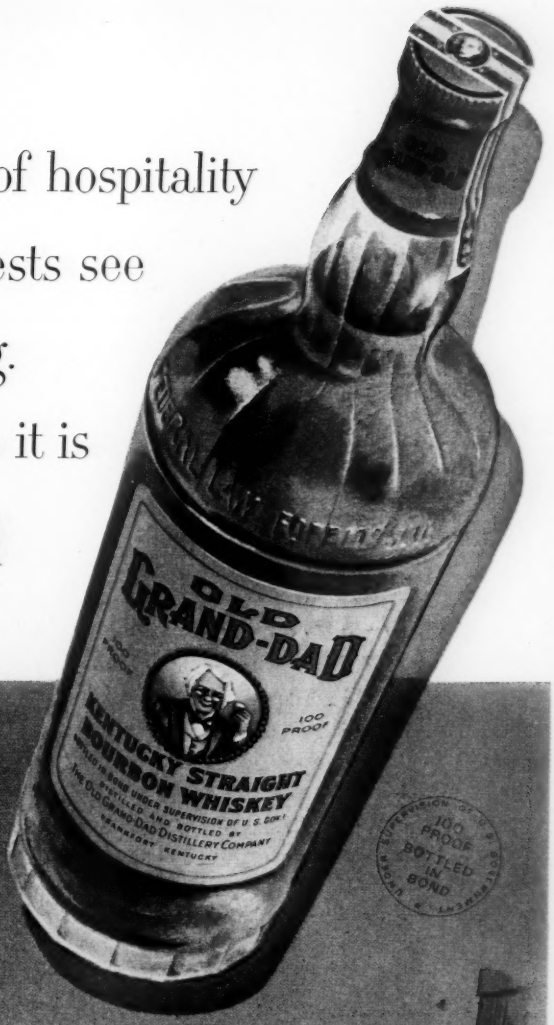
West Europe isn't out of danger, to be sure, but the tide is increasingly against Moscow. A few years ago, it looked as if Italy and France might fall into Moscow's arms. Myth of a workers' paradise, under Communism, was potent.

It doesn't look that way now. Time may now be on the side of the West.

It is the essence of hospitality
to let your guests see
what you are serving.
You need never hesitate when it is

Old Grand-Dad

"HEAD OF THE BOURBON FAMILY"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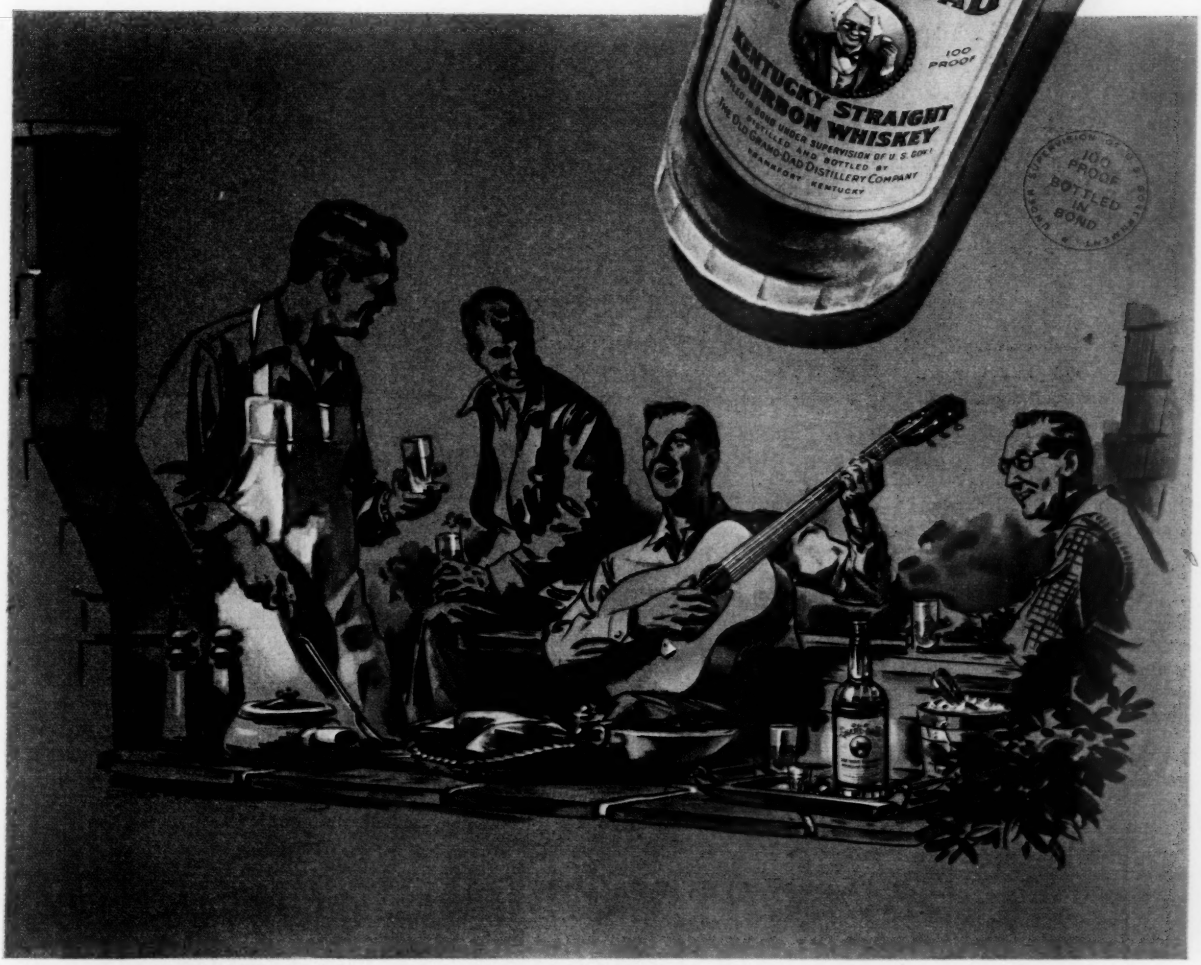

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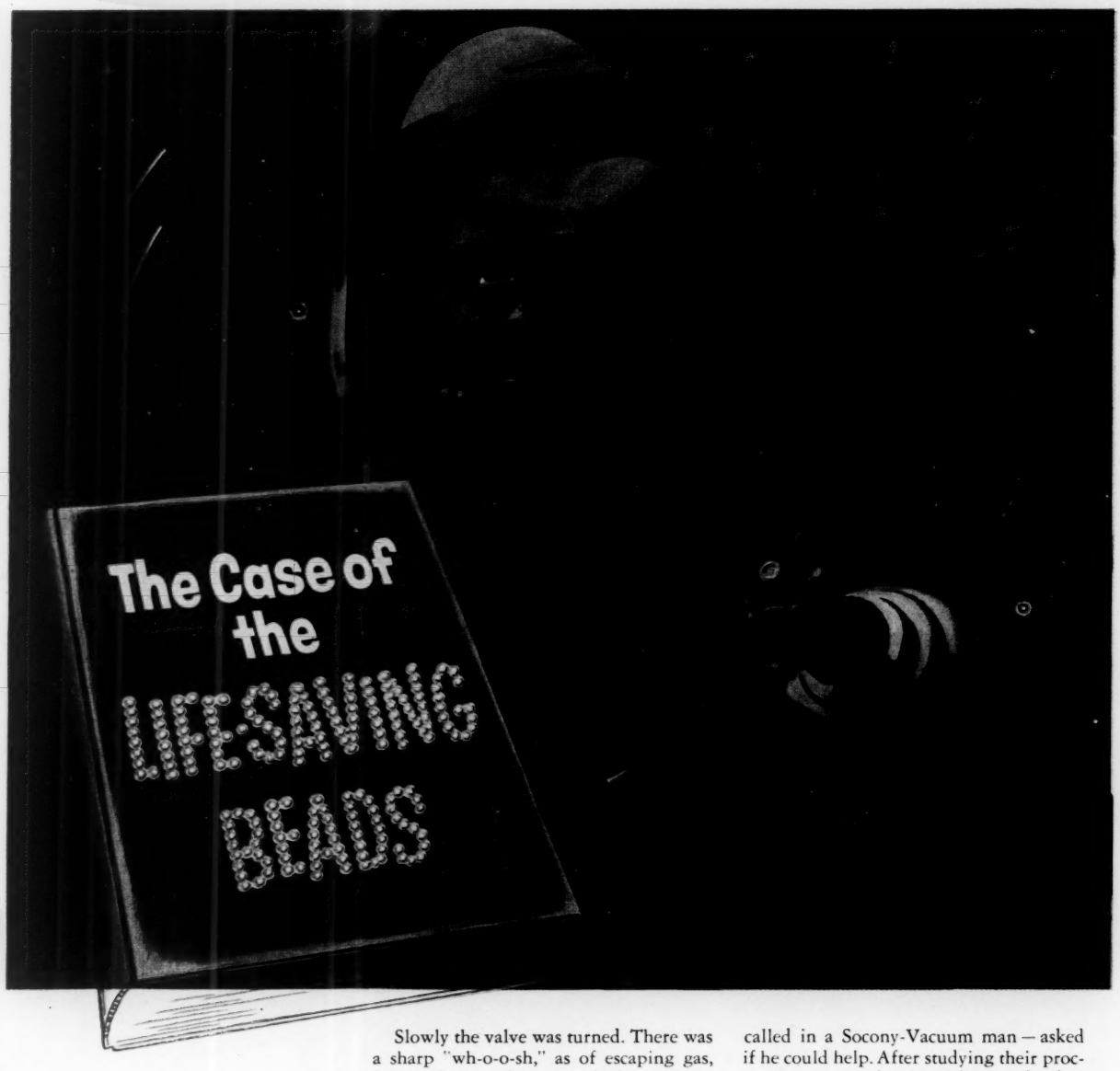

How Socony-Vacuum Engineering Service helped solve a serious problem!

Slowly the valve was turned. There was a sharp "wh-o-o-sh," as of escaping gas, followed in a few seconds by a short, sputtering hiss. Then—silence . . . the valve opening had frozen solid again!

This was happening to the release valves of emergency oxygen tanks intended for pilots, hospitals, etc. The trouble was caused by moisture in the oxygen which formed ice crystals that blocked valve openings when the oxygen was released. Manufacturers of portable generators that made oxygen for these tanks had long been faced with this problem.

A well-known company, entering the portable generator field, knew this moisture problem had to be solved. They called in a Socony-Vacuum man—asked if he could help. After studying their process, he suggested using *S/V Sovabead* in the air drier. This amazing desiccant proved highly effective—reduced moisture content of the air to a minimum. This dry air then passed through a specially developed low-temperature separator, producing moisture-free oxygen compressed in tanks. The "frozen valve" trouble ended.

S/V Sovabead is just one of hundreds of Socony-Vacuum industrial products. With chemical products—as with our lubricants—goes our famous engineering service to help you improve production—cut costs. Call us—chances are we can help you, too!

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Heavy Demand for 1955 Graduates

Plenty of Jobs at Record-Breaking Pay

Jobs are competing for graduates this year on some college campuses. Educated youths are scarce, at a time of business boom.

New young engineers, scientists, teachers can take their pick of openings. Calls are steady, pay good for youths with liberal-arts degrees, too.

One problem: Draft will take many a 1955 graduate before he can cash in on the bonanza.

From all over the U. S., colleges report an unprecedented demand for their graduates this year. Some schools have had to bar the door to any more recruiters from industry. The interviewers outnumbered the graduates who wanted jobs.

For many members of the class of 1955, perhaps the majority, the problem is not to find a job but to pick the right one out of a variety of offers. They contemplate starting salaries that are at a record high, running from $300 a month up in many fields. Seldom, if ever, has the youth with only a shiny new college degree to recommend him found such a welcome in the outside world.

Three to five calls are reported for every available engineer, physicist, chemist, or other technically trained youth. There are said to be at least two openings per graduate for home-economics majors, agricultural specialists, teachers, medical technicians.

Accountants, statisticians, marketing experts are in brisk demand. Even lawyers, journalists and youths with general-education degrees, who traditionally have a hard time getting started, are finding jobs at pay that is high by past standards.

These are the highlights that stand out from a telegraphic survey of the job market for college graduates, just concluded by *U. S. News & World Report.*

Small supply. Basis for the rosy prospects of graduates this year, as reported by college-placement officials, is the fact that supply of college-trained youths is small while demand is unusually high.

The class of 1955 is the smallest since 1948, numbering only about 324,800 graduates. About one third of those are women, many of whom are not interested in jobs. That leaves about 210,000 male college graduates this year.

Many of these youths are going to the armed forces, through the draft and Reserve Officers Training Corps. It's not known exactly how many graduates will be drafted this year. But a large number have been deferred for years so they could finish college, and they are at the top of their local draft boards' lists. So thousands will be called, even with present low draft quotas.

In addition to those taken by the draft, about 25,000 graduates will be committed to military duty as officers, via ROTC. About one third of the 21,000 engineering graduates of 1955 are in the ROTC, a fact that is contributing to the severe shortage of youths with engineering training.

Competition for the graduates who are left is rising fast. Indications are that, by the time diplomas actually are handed out in June, most graduates will have definite jobs awaiting them. College-placement officers tell that part of the story. From their telegraphic reports:

Dartmouth College—Demand for 1955 graduates stronger than at any time in previous five years. Need continues great in engineering and science, but strong demand also continues in banking, in sales and especially in teaching. Average rate for liberal-arts graduates is approximately $345 per month, up $10 from last year. This year has been marked by growing evidence of management's desire to develop more liberal-arts graduates for work in manufacturing. Management also is aware of problems faced by the senior who is uncertain of his time of call to service, and companies are more willing to hire regardless of the military obligation.

University of Maine—Placement in all engineering fields continues to exceed all previous demands. Other fields holding up well with high demands are accounting, sales, insurance. Total recruiting volume better than last year. Salaries increased this year about 4 per cent to average $375 per month for technical men. We wonder how this can keep up, but it does.

—USN&WR Photo

INDUSTRY "TALENT SCOUT" TALKS WITH STUDENTS
Sometimes interviewers outnumber job-seekers

Massachusetts Institute of Technology—Demand for engineers and scientists continues to grow and is greater than last year. Mechanical and electrical engineers in greatest demand. Starting salaries have increased about 5 per cent from last year. Bachelor of science offered about $400 a month to start. Advanced degrees, $450 and up. Many higher offers for special skills and experience.

Cornell University—105 mechanical engineers graduating with 230 employers recruiting on campus; 42 electrical engineers sought by 187 employers; 23 chemical engineers by 124 employers; 65 masters of business administration by 130 employers; 275 men and women in

arts and sciences by 100 employers, an increase from 70 employers in 1954.

Banking and brokerage opportunities much more popular with students. In 1950 only 12 students interested in finance. This year 77 students talked to a recruiter from a well-known brokerage house. Many requests for campus interviews still coming in from employers but must regretfully be refused.

Harvard University—Need for technically trained men including engineers, chemists, physicists even higher than last year. More companies seeking liberal-arts graduates for banking, insurance and sales than in previous year. A number of companies turning to liberal-arts graduates to fill positions once held by technically trained men. Salaries for all men up about $15 per month from last year. More organizations actively recruiting than at any time before.

Yale University—Demand for graduating seniors and graduate students by industries, financial institutions and insurance companies continues to be as good as or better than last year; starting salaries are slightly higher.

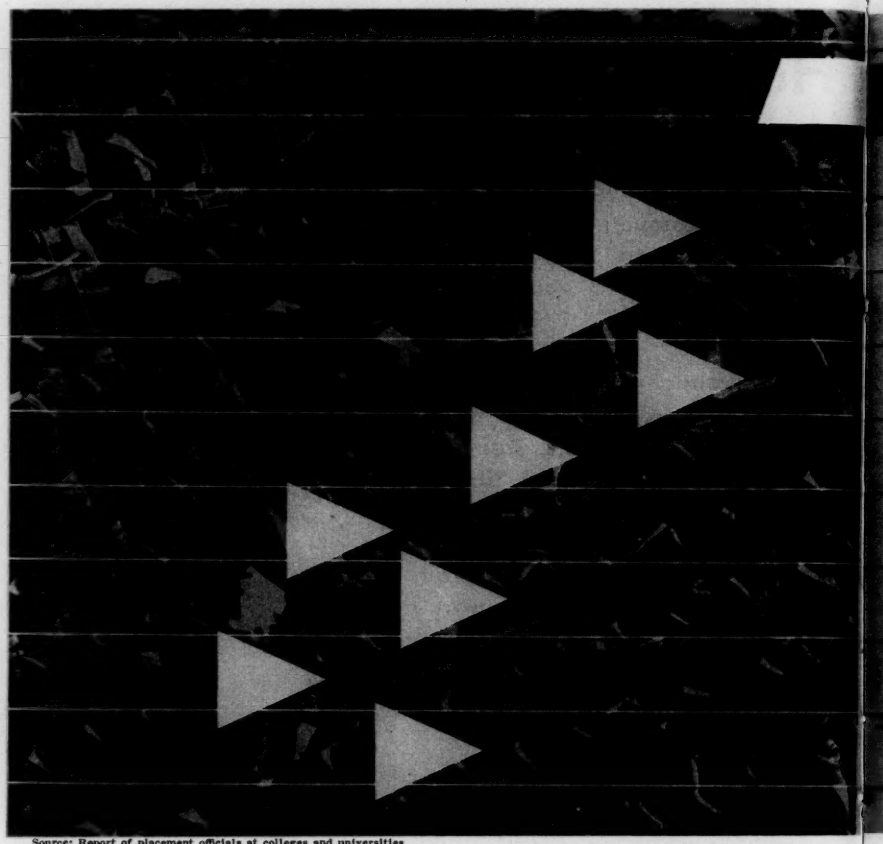
University of Pittsburgh—1955 demands for science and engineering graduates exceed 1954 demand. Salary predictions last fall were for a slight increase over 1954 figures. This has been revised upward. Spring job offers show current salaries to average about $380 for technical graduates and $350 for topnotch nontechnical graduates at the bachelor's degree level with no experience. Men with advanced degrees are in almost equal demand and are being offered higher salaries than last year.

This year there has been an appreciable increase in the number of companies contacting the university for the first time, and in demand for underclassmen in science and engineering for summer jobs.

Princeton University—Demand continues high for men trained in engineering at all levels—bachelor, master and Ph.D. However, the demand for arts men, particularly for all kinds of sales training leading to sales management, has increased noticeably in the last two years.

More companies are coming to the campus. The pressure for appointments to visit the campus this year has exceeded anything previously experienced. Part of the difficulty is caused by the fact that most companies wish to come in February and the first part of March. Some of this pressure is caused by the fact that companies are recruiting farther afield—California companies are coming east, New England concerns are going to the Middle West, and so on.

Georgia Institute of Technology—Demand this year for all types engineering graduates about 15 per cent higher than last year. Strongest demand for chemical, electrical, mechanical engineers. Average salary, $385 per month. Should sell out all 1955 graduates by June 1.



Source: Report of placement officials at colleges and universities

University of Tennessee—A higher percentage of the class of '55 is subject to military service and this fact causes some employers to hesitate in making offers to all but the very best men in the class. Salaries for B.S. engineers are averaging about $365 monthly with many offers above $400, compared with 1954 average of $355. Business-administration and liberal-arts salaries averaging $340 this year compared with $330 in '54. Heaviest demand of all is for elementary teachers where openings exceed supply by 10 to 1.

University of Texas—Prevailing salary offers for business graduates from big concerns up, to $340-$400. Smaller firms range $275-$350. Banking and public-accounting firms offer $275-$350. Retailing somewhat improved but still at lowest range, $250-$325. Other accounting offers range $300-$425. Still unable to meet demand for stenographers.

Opportunities in various technical fields up 5 to 15 per cent. Salaries up 5 per cent. Last year demand for civil engineers was shaky but this year is comparable to calls in other fields. Pharmacists scarce; demand exceeds supply and salary range is $350-$500, plus percentage. Demand for lawyers increased over 1954; salaries up, to $300-$400 range, for graduates with no experience. Higher figures for experience. Noted this year: considerable increase in number of concerns seeking graduates with general-education background, for administrative and managerial positions.

University of Kansas—Graduates in accounting, business administration, all phases of engineering in greater demand than in 1954. More employers are visiting the engineering and business schools than there are graduating students, and this does not take into consideration the number of opportunities per company. A high percentage of graduates is going into military service, greatly increasing demand for men available for work.

University of Missouri—Demand for graduates slightly greater this year in engineering, business, education, and agriculture; twice as great in journalism. Salaries are same or higher as follows: Engineering average up from $370 to $390; business average up from $335 to $350; journalism a little higher, running about $290 in news, $325 in advertising; teachers up about $200 a year, to

PAY SCALE FOR CLASS OF '55—THE HIGHEST EVER

	Range of starting salaries
Engineers and scientists	**$375 to $525** *per month*
Medical technicians	**$350 to $500** *per month*
Lawyers	**$300 to $400** *per month*
Liberal arts majors	**$300 to $360** *per month*
Journalists	**$290 to $325** *per month*
Accountants	**$275 to $450** *per month*
Business specialists	**$250 to $400** *per month*
Teachers	**$235 to $265** *per month*

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total of $3,200; agriculture about the same as in 1954. In all fields great difficulty in supplying enough graduates to meet demand.

University of Michigan—Greatest demand in business world is for all kinds of technical people. Quite a greater number of women called for than before. Department stores are asking for more people than ever. In educational world greatest shortages are in elementary teachers, librarians, teachers of home economics and commercial subjects.

University of Wisconsin—Shortages still exist in engineering, physical sciences, accounting, home economics and teaching. Total number of employers recruiting on campus is up about 10 per cent over spring, 1954. Starting salaries are up about $13 per month on average. Demand for masters' degrees is slightly heavier and much heavier for Ph.D.'s.

University of Illinois—Demands exceedingly heavy for all types of engineers, chemists, accountants and salesmen. Noticeable increase in demand for liberal-arts graduates for training programs and sales. Increased demand for law graduates. Agricultural graduates only 50 per cent sufficient, especially for sales and contact work. Marked increase in calls by aircraft, electronic, refrigeration and insurance companies.

Northwestern University—General demand for graduates continues strong. Salaries generally up about 5 per cent. A leveling tendency is noted in recent calls for nontechnical men, with some companies beginning to be more selective.

Because employment outlook is generally good more graduates are insisting on particular types of jobs in particular types of companies. Interest in liberal-arts graduates continues, but we do not have enough calls for men for general-training programs, regardless of fields of study. About 75 per cent of job offers specify a desired background of study. Graduating seniors will undoubtedly find jobs but may have to be less restrictive as to type of job and locality.

Purdue University—Demand for engineering and science graduates is up 20 per cent over 1954. Demand also is good for nontechnical graduates. Starting salaries for those with bachelor of science degrees in engineering are $10 to $20 per month higher than the 1954 average of $374 per month. Master-of-science degrees for engineering and science are commanding approximately $25 per month more than in 1954. Salaries for those holding Ph.D. degrees are up, ranging from $550 to $800 monthly.

The national outlook. These reports are typical of the recruiting story on campuses all over the nation.

Around New York City, colleges and universities report that, in some cases, firms are hiring engineering students who will not be graduated until 1956 or 1957.

In nearly all lines of training, salary offers in the New York area are running approximately $25 a month more than a year ago.

Across the country, in the San Francisco area, the University of California finds that more smaller firms are recruiting students on the campus this year, in order to meet the big companies' competition for bright youths. Stanford University, the University of Washington, the University of Oregon, all report plenty of jobs for their graduates.

What is happening is this: A business boom, a technological revolution in industry, and a steady call for trained men by the armed forces have combined to raise the country's need for youths with higher educations.

Interview with ARTHUR F. BURNS
President's Economic Adviser

THE BUSINESS FUTURE OF AMERICA

How long can today's prosperity go on? If "cold war" ends will a big depression follow?

What will take the place of arms spending once big cuts are made? Has the housing boom gone too far?

Dr. Arthur F. Burns is the one man in the country best able to answer these and other questions about the future of American business. Dr. Burns is Chairman of the Council of Economic Advisers. In private life, he is a leading authority on the business cycle.

To give readers a glimpse into the future, the President's economic adviser was invited to the conference room of *U. S. News & World Report* for an exclusive interview.

In answers to questions, Dr. Burns gives a thorough appraisal of the present business situation and pictures the probable future.

Q Looking into the future, Dr. Burns, what do you see ahead in business for this country? Will it be a period of steady expansion?

A The economic growth to which we have been accustomed in our country is a comparatively new factor in the history of mankind. Over the past 150 years, we have experienced economic expansion, decade after decade, except for the 1930s. It has been a wonderful period from an economic point of view. I believe that the forces of development and growth are as rapid and as powerful today as they have ever been.

Q Not only in this country but abroad?

A Western Europe is now experiencing a spurt of development. I hesitate to speak about the East. There is little dependable information about Russia and not enough about other areas farther East.

Q People are stirring every place, wanting to grow, aren't they? Everyone wants industrialization—

A Yes, that is true of both East and West. But people often talk too much about machinery and engineering skills. There is inadequate understanding of the moral and political prerequisites of rapid economic growth.

Q All of this urge to grow is forced on us by the tremendous growth of population?

A I think it's that and also the growth in communication. Communication plays at least as large a role as the growth in population. Nowadays people can see, not only what their neighbors are doing, but how people live in other parts of the country and across the globe.

Q Will we let up on human demand?

A I think that the impulse to raise living standards has never been stronger in our country than it is now.

Q Everybody wants an auto and a nice house—

A Yes.

Q This reflects a very accelerated increase in the standard of living in the world?

A There is a greater awareness of what a properly functioning economic system can do for people. Throughout the world there is a great desire, a great impatience, to raise living standards. And if there are powerful forces making for economic expansion on the side of demand, that is true also of forces on the side of supply. It's difficult to escape the impression that technological advances are now being made at a very swift pace.

Q But in the past the idea was that if you made those advances, you would just create unemployment—you would go into a stagnation and a depression—

A Well, that theory has been expressed from time to time in the past, and we sometimes hear it voiced currently. But if we've learned one thing from history, it is that advances in productivity have been accompanied, by and large, by increases in employment and in the general welfare. It is true, however, that technological innovations sometimes create great difficulties for specific localities and industries.

Q But that wouldn't lead us backward, but will lead us forward?

A If we take a long view, I think that is one of the very clearest lessons that we can draw from economic history.

Q This growth that you are speaking of—hasn't it really been stimulated in our time by two world wars that required an industrialized armament economy?

A We had very rapid growth of production and living standards in our country before World War I. I do not believe that our economy has grown more rapidly since 1914 than before that date. I don't doubt for a moment that war has a significant influence on the specific directions taken by technology—

Q It increases the money supply, too—

A Yes, it has a habit of doing too much of that. But, returning to the main point, I doubt very much whether in the absence of two wars we'd be any less advanced economically.

Q Well, haven't you two great things—communication forced into more rapid development by World War I and World War II with radar, and now atomic energy, which

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Powerful Forces for Growth . . . U. S. Consumer Is Best Credit Risk . . . If "Cold War" Ends—No '29-Type Setback

might never have been discovered but for the compulsion of war?

A That may well be true. But let us not overlook the fact that the automobile, a comparatively old invention, is contributing far more to the economy now, as it has in recent years, than either radar or atomic energy. For that matter, the personal-service industries, which excite very little attention, are making, in the aggregate, a still larger contribution. The industrial potentials of atomic energy are great, but they are still a thing of the future.

Q Is there any danger of running into a situation comparable to that of 1929, when we were riding along and went kerplunk and stayed down for 12 years?

A I do not believe this is likely to happen.

Q Is there anything that can keep us from it in this period?

A Our economy is in a much better position to resist deflationary forces than it was in the 1920s. For one thing, we don't have to worry about runs on our banks, as we did during the late 1920s and early 1930s.

Q No mortgage foreclosures on a vast scale?

A We've made tremendous progress in handling mortgages. The widespread use of the long-term, fully amortizable mortgage is one of the great reforms of our time. As a result, mortgage foreclosures on a mass basis are much less likely than they used to be.

We also have unemployment insurance as a first line of defense against recession. Furthermore, with our heavy reliance on income taxes, our entire fiscal system automatically acts in a stabilizing direction to a far greater degree than it did in the 1920s.

Q But we don't have a gold standard now. Some people think that's a bad thing—

A It is easy to exaggerate the advantages of free convertibility of paper currency into gold coin. The important thing about money is what happens to prices. In the last three years we've had a remarkably stable price level. I feel that we've been handling our monetary affairs quite well of late.

Q Do you see any chance that some things will get out of hand in the near future by too rapid expansion?

A If we get to thinking in terms of a new era, as people did before the crisis of 1907 and as they did once again during the late 1920s, if we permit ourselves to discount the future too heavily, if we begin speculating in inventories, then we may run into trouble again.

Q Isn't there some evidence of speculation even now?

A It is not widespread, but it exists.

Q In securities?

A I think so.

Q Isn't all the installment buying a weak point or danger point?

A I doubt it. One thing that we have been very slow in learning is that, speaking broadly, the American consumer is the best credit risk in the world. We learned this gradually. A small number of enterprising businessmen led the way. Later the bankers learned that consumer credit could be every bit as sound as commercial credit. Many of us still approach the question of consumer debt with moral preconceptions, rather than with objective economic yardsticks.

—USN&WR Photo

DR. ARTHUR F. BURNS IS INTERVIEWED

Q You think that, by and large, we are still sound?

A During late 1953 and 1954, the quality of the outstanding consumer debt was tested by the economic recession then under way. The test was met satisfactorily; that is to say, delinquencies and repossessions remained remarkably low during this period.

In recent months there have been some reports of loose practices with respect to down payments and maturities on automobile credit sales. The situation requires watching. However, at present I see little reason for serious concern about the quantity or quality of consumer debt.

Q Do you know of any period in which either the presence of war or the threat of war requiring armament hasn't affected the economy? You haven't any war today, but you have 35 billions in the budget for armament. Hasn't that got an impact on your economy?

A Yes, it has an appreciable impact on the economy. But I'm one of those who firmly believes that we can have a rapidly growing economy without large armament expenditures. I think that the history of our country will bear me out.

Q Supposing tomorrow they had a revolution in Russia and it was apparent to everybody that there was going to be

(Continued on next page)

. . . "Since 1954 our economy has been moving upward again"

a free government there—there was nothing to worry about—wouldn't we have a terrific collapse in the United States?

A I don't think so.

Q Why not?

A Experience is quite instructive on this point. You will recall that in 1944, when the war with Germany and Japan was approaching a close, many people feared that curtailment of military spending would be followed by great unemployment. This did not happen.

Between the first quarter of 1945 and the first quarter of 1947, we cut military expenditures from an annual rate of 91 billion dollars to an annual rate of 14 billion—a cut of 77 billion dollars. We did not develop, as a result, any significant volume of unemployment. Some marginal workers left the labor force voluntarily. The others who were released from defense plants or the armed forces were quickly absorbed in private employment.

By the first quarter of 1947, civilian spending had more than offset the 77-billion-dollar drop in military spending.

Q But wasn't that due to the pent-up demand and the shortages and the controls?

A These were, undoubtedly, significant factors.

Q Today you don't have that—

A That is true and that is exactly what people kept saying after the Korean war ended in mid-1953. Our military expenditures in the second quarter of 1953 were at an annual rate of 54.3 billion dollars. In the first quarter of this year, they were down to an annual rate of 40.2 billion dollars. You have here a substantial cut in military outlays. But we've not had any economic collapse. True, we had an economic contraction for a while, but it was mild and I believe we would have had something of a decline even if military spending had not been reduced. At any rate, since the early fall of 1954 our economy has been moving upward again. Our gross national product today is about as high as it has ever been.

Q But we had pent-up demand from the Korean war—

A I don't believe so.

Q People had loaded up during that period?

A The period of loading up came earlier, between June, 1950, and February, 1951. By the spring of 1951 the buying spree was over. People saw that goods were generally in good supply and that the expected shortages had failed to materialize. The frantic buying ended abruptly, hoarding ceased and prices weakened.

Q There is certainly no pent-up demand now and, if you pulled out a very substantial part of that armament expenditure, don't you think it would pretty nearly collapse this economy?

A No, I do not.

TAX CUTS VS. RECESSION—

Q What would move in to fill that up? How long a period would it be before anything would move in?

A If we had a very sharp and sudden decline in military spending, the sort of thing that you are now imagining, I would expect it to be followed rather promptly by an equally sharp cut in taxes. People would therefore be able to increase their spending at the very time when the Government was reducing its spending.

Q Does this Administration have any plans of that kind now? For the last two years of World War II, we had these postwar committees, we had plans, cushions in taxes, legislation practically ready—we had a lot of planning prior to the end of the last war. Have we any planning for a "sudden peace" now?

A I honestly don't believe it would be a very fruitful use of my Council's energy to concentrate, right now, on planning for a "sudden peace."

Q Except to have those areas in which you would use this money laid out, planned—

A Well, you don't have to do very much planning to cut taxes. Given your hypothesis, the amount of the tax cut would be approximately determined by the cut in military spending.

Q You would have to determine who would get that cut?

A That's right. The Treasury and we have already devoted a great deal of study to the question of how tax cuts, if they should become feasible in the future, might best be made. If a very huge tax cut, of the sort we are now discussing, ever becomes possible, it will not take us very long to evolve a plan that would be both sound and broadly acceptable. It is a much tougher problem to allocate a tax cut when the amount of the reduction is small, which—I'm afraid—is the only sort of case we will, in fact, have to consider in the reckonable future.

Q Will the people know what to do with that money? Won't they just spend it, or do you think they will save it, or what?

A Well, you will have all kinds of reactions. You'll have some people who'll hold on to every bit of it. You'll have others who, finding their taxes reduced, will spend an equivalent amount. There will be many cases between these limits. There will also be some people, particularly in the business world, who will increase their expenditures by several or many times as much as their taxes are cut. We should not overlook the effects of tax reductions on people's confidence and on the volume of new investing or new installment buying they may undertake as a result.

UNEMPLOYMENT PROBLEMS—

Q What would you do with the unemployment in the aircraft factories and in steel and in all these other heavy industries that are now being supported by this 35-billion-dollar budget? How will you find employment for them overnight?

A There would undoubtedly be a problem of readjustment in the aircraft and other defense industries.

Q Would there be a serious transition period lasting for several months?

A There would be a transition period that we would have to face up to seriously. But, in the interest of seeing the problem in perspective, let us keep in mind that the transition period we had after World War II was not a serious one.

Q What about the one after World War I?

A The same was true after World War I. There was a setback in 1918 but it was of very minor consequence. We didn't get into economic trouble until two years after the end of the war. We had a severe depression in 1920-21, but the sharp rise in prices after the war and the accompanying inventory speculation were largely responsible for this.

Q The sudden removal of controls was partially responsible for that, wasn't it?

A Yes, we were hasty. We did not give enough heed to the dangers of inflation during each of these wars and we were careless during the months and years that immediately followed. But, returning to the events after World War II, it is

well to recall how quickly we carried through the job of reconverting our war industries to meet civilian demands. We thus gave a marvelous demonstration to the entire world of the vitality and power of our economic system of free enterprise.

Q What is this power?

A It's the energy and enterprise of people who seek to better themselves, their families and their communities. The great art of government in the economic sphere is to release these creative forces. The notion that government can of itself create prosperity is one of the unhappy illusions of our times.

PLANNING OF PRICE SYSTEM—

Q Is that better than the planned operation?

A It is better to have millions of people do the planning than to trust to the planning of an omnipotent state. As I read history, it is the nations that have practiced free enterprise that have enjoyed the most rapid improvement of their industry and living standards. In this country, we rely on our competitive price system to do a great deal of planning for us, and we have prospered in the process.

The price system works well but imperfectly. We know this. And it is precisely because we know this that the Federal Government has assumed a responsibility in recent years to moderate fluctuations in the nation's over-all production and employment. That is a good thing. It has helped to build and maintain confidence.

Q But what is going to happen when you withdraw the enormous Government expenditures for the aircraft industry, steel, and so on? The unemployment in those areas can't suddenly be taken up by new projects somewhere else. Won't that be a pretty serious thing?

A If we get effective world-wide disarmament, I feel confident we will be able to handle any economic problems that will arise. Indeed, a large-scale reduction or elimination of armaments would give us a magnificent and welcome opportunity for raising living standards. But, unhappily, we are discussing a very hypothetical case.

Q But in our time we've had revolutions in these autocracies overnight when least expected—

A In that happy event, we would be reasonably sure to cut taxes promptly. This would stimulate the economy in a thousand directions.

I grant that we might have some troublesome unemployment for a while. If that happened, some of the plans that we have developed for checking a recession would serve us in good stead. For one thing, we've done some extensive planning in the sphere of public works, and we're improving that all the time. It would not take us long to get under way a large program of construction of useful public projects, if economic conditions warranted such a policy.

But I want to come back to a point I've already made. Within the past 10 years we've had to adjust twice to a sharp cut in military expenditures. The first test came after the end of World War II. The second test came after the end of the Korean war. We met each of these tests satisfactorily. The depression that many people feared or expected did not take place. I feel confident that when a large cut in military spending again becomes feasible, we'll be able to adjust to it without hardships.

Q In 1953, the first year the Eisenhower Administration was in power, you cut military spending by about 10 billion dollars. Now, that was followed by a recession. You had a recession—sizable in some people's minds—in the year 1954, and we're just pulling out of that. Don't you see a relationship between that 10-billion-dollar cut and what we went through in 1954?

A We had a recession from July, 1953, to August, 1954, and some industries and localities suffered seriously during this period. But on an over-all basis the economic decline was small. It was even smaller than the contraction of 1948-49, which we commonly regard—and rightly so—as one of the smallest business-cycle movements in our history.

The cut in military expenditures was undoubtedly a significant factor in the 1953-54 contraction. I believe, however, that we would have had some contraction in the closing months of 1953 even if military spending had remained at an unchanged level.

Q Why is that?

A The American consumer is a whimsical creature. While the spending of consumers kept pace with their rising incomes during the early months of 1953, their spending on commodities, as distinct from services, did not. The imbalance between production and sales of commodities was reflected in rising inventories, particularly those held by retailers. A condition of this sort cannot long continue. Businessmen try to adjust their inventories and this results in a decline of production and employment.

Q Isn't it natural that the consumer would cut his expenditures in 1954? He got his overtime pay cut down—

A I've been talking about the early months of 1953. There was no decline in total consumer spending. What happened then was a change in the direction of that spending—that is, a shift toward services and away from commodities. The latter piled up on dealers' shelves. A situation like that sets corrective forces in motion.

Q Then you think his total purchasing power was not diminished?

A I take it you mean by consumer purchasing power the income of consumers. That was going up in the first half of 1953. For that matter, the disposable personal income—that is, the income of people after taxes—kept rising right along, even in 1954. This was one of the remarkable features of the recent recession.

Q Was the difficulty in 1953 related to the fact that the credit terms had been eased in the middle of 1952 and there had been a very sharp increase in installment buying in the period after that?

A That was part of it. The great spurt in production in the closing months of 1952, after the steel strike, was another factor in the situation. In a prosperous economy such as ours, when so much spending is discretionary, we must not be surprised by variations in the rate of consumer outlays.

EASY CREDIT: A TOOL—

Q In the sudden easing of credit terms, aren't you building up trouble? When you get the housing rate suddenly up to 1 million a year, you get the auto rate up to 6 million a year, and retail sales up, all through easing of credit terms, aren't you asking for trouble for yourself because you are expanding activity in all the related industries and all of it is based on this rate of sales that can't hold?

A During a time when credit is expanding, the purchas-

(Continued on next page)

. . . "Mortgage situation requires careful watching"

ing power of consumers is augmented by the borrowing that takes place. Once there is a turn in business and consumer sentiment, then people will be less inclined to borrow and repayments may exceed new borrowings.

That was the kind of situation we had to face in late 1953 and early 1954. With businessmen adjusting their inventories and with the Federal Government reducing its expenditures on national security, we had a contraction of employment and production on our hands. The easing of credit conditions was one of the devices that the Government used to check the business contraction and to generate recovery.

Q Well, in the case of housing you bring in the market place all at once people who might be saving their down payment to make home purchases over a period of years. Aren't you introducing an element of instability that is just begging for trouble?

A The easy-credit conditions that we had in 1954 did a great deal, in my judgment, to stimulate investment in housing, in commercial structures and in State and local works. The high rate of construction during 1954 was undoubtedly a factor of economic strength at the time. To the extent that this was brought about by easy credit, it was a stabilizing factor. Once the signs of economic recovery became definite last year, the easy-money policy was modified. It is surely possible to invite future trouble by making credit conditions excessively easy.

I must add, however, a few remarks about housing credit. The easier financing terms and the greater availability of credit that we've recently had in the housing field have brought many people into the housing market who otherwise would never have gotten into it.

Credit, whether for the purchase of housing or something else, is not merely a device for redistributing over time a fixed amount of dollar spending. It can also serve to increase the total amount of spending. The economic horizons of businessmen would be very much narrower if we did not have lending agencies or systematic lending procedure.

Much the same is true of consumers, although we have been slow in learning this. By and large, the growth of debt and the growth of our economy have moved hand in hand. I would not like to think of debt as ceasing to grow in our country.

DEBT GOING UP—

Q Do you see any signs that it may not go on growing?

A I expect debt to continue to grow.

Q Isn't that related to wealth? After all, what difference does it make whether there is a mortgage of $20,000 on a $40,000 property or whether there is a mortgage of $30,000 on a $60,000 property? It's a matter of what the wealth itself is, isn't it?

A Certainly, the wealthier the country, and the larger its income, the larger is the debt it can safely carry.

Q Doesn't that depend upon the kind of debt, too?

A The quality of the outstanding debt is of great importance. But here I want to say another word about the consumer, the unsung hero of our economy. Not so long ago the man who borrowed money to buy furniture or the like was considered profligate. A commercial bank would be reluctant to lend him anything. Now, our most conservative financial institutions have come to recognize that lending to consumers is often sounder than lending to business.

Q If you once get an unstable economy, what happens to all this mortgage credit?

A We did not have defaults or foreclosures on an appreciable scale during the contraction of 1948-49 or that of 1953-54. In a more serious contraction, we might not do as well. But two things are worth remembering. First, the present-day mortgage is a long-term, fully amortizable loan that calls for monthly payments which in some respects are similar to the payment of rent. Second, many of the people who have bought homes on mortgages have sizable assets at hand. The last thing a man is going to give up is his home.

Q It isn't the quantity of debt, is it, but the rate at which people are going into debt that's the concern? Can't that rate be too fast? Can't you build up to a boom-bust situation?

A That is true. Residential building has been one of our most widely fluctuating activities in the past. Once a condition of overbuilding arises, many years of relative inactivity may need to elapse before it can be corrected. Hence, we cannot be complacent about what goes on in the housing industry.

DANGERS IN MORTGAGES—

Q What about mortgages—are we going too far too fast in that field?

A The situation requires careful watching. The Government has a large responsibility in this whole field. It would be hard to justify the use of Government credit to increase materially the supply of dwellings in any area that is already overbuilt. The Government agencies that are directly concerned are trying to make sure that this does not happen.

Q Do you think the Housing Act of '54 has gone a shade too far?

A The housing legislation of recent decades has been a very fine thing, for it has helped to create a nation of homeowners. The Housing Act of 1954 has broadened the opportunities for home ownership, and I consider that desirable.

I was disappointed, however, by the fact that this statute did not give the President broad discretionary authority over the terms of mortgages that are underwritten by the Government. The Congress did not heed the President's recommendation on this point. It actually reduced the authority he already had under the Housing amendments of 1953.

The housing industry is such a large industry and historically has been so unstable that it would be wise to have a systematic procedure for adjusting the terms of federally underwritten mortgages with an eye to the stability of the construction industry and the economy as a whole. The request for presidential authority to modify terms according to economic conditions was designed to do that.

I should add a specific word about the Housing Act of 1954. This Act was not concerned with the guaranteed-mortgage program of the Veterans' Administration. The recent spurt in home building is traceable very largely to the guaranteed loan program of the Veterans' Administration, not to insurance through the Federal Housing Administration, with which the Housing Act of 1954 dealt.

Q You have no control now over mortgage credit?

A No, that isn't so. As a matter of fact, the heads of the Federal Housing Administration and of the Veterans' Administration have very great powers to modify the terms under which mortgage insurance or guarantees are granted. A tradition has, however, developed of allowing the flexible

provisions under existing law to remain dormant. They are rarely used, partly because of the pressures against action. The President could more readily take the measures that are needed, somtimes in a liberalizing and at other times in a restrictive direction, to protect the stability of the building industry and the general economy.

Q Might it not be dangerous if you don't do something?

A A great deal is constantly being done. The officials of the Federal Housing Administration and the Veterans' Administration scrutinize credit and appraisal practices. The housing market is constantly under study. When an area is known to have a housing surplus, steps are taken to restrict the availability of insurance or guarantees for speculative home building. Beyond this, the general monetary and credit policies of the Federal Reserve authorities have their effect, though with a lag, on the availability and terms of housing credit.

Q Do you think the President may get wider authority over mortgages from the Congress now?

A The President asked for it again in his Economic Report to the Congress, submitted this January.

HOUSING CONSTRUCTION: HIGH—

Q But would you conclude that you could keep going at a million for the next several years?

A If economic conditions remain generally satisfactory, I think we will do that well and perhaps even better.

Q But we're building over a million now—

A Yes. In the past four months, housing starts have been at an annual rate of 1.4 million. It is a fair question whether this very high rate can be sustained for any appreciable time. The biggest increase by far has been in the housing financed with mortgages guaranteed by the Veterans' Administration.

Q They've gone right up, haven't they?

A Yes, and so, too, has the proportion of these mortgages running for 30 years and covering the full purchase price of the house. Last year, financial institutions had very abundant resources which they sought to put to use. So, they began bidding aggressively for business, and acquired mortgages on terms that under ordinary conditions would have been unattractive to them.

Q What is the trend of houses financed in other ways—Federal Housing Administration, conventional mortgages, and so on?

A There has not been any large change during the past year in the amount of FHA mortgages or conventional mortgages on new homes.

Q Then VA has shown the sharpest rise?

A Oh, yes.

Q Doesn't that mean that people are being attracted by these ridiculously easy terms. It's much cheaper to buy a house now than to rent, isn't it?

A That happens. Of late, it has been possible for some people to become homeowners without even paying for legal closing costs. Cases have been reported where the buyer, after purchasing a home without putting down a nickel, has received a cash bonus on the day he moved in. Such loose credit practices have received a great deal of publicity. Fortunately, they are rare. It would be better still if such cases did not exist at all.

Q Well, if you pull this down, what is going to take its place? Obviously, housing has to come down at some time. What is going to move in there?

A It is impossible to know this in advance. Our economy generates new demands in all sorts of ways and directions. For example, business expenditures on new plant and equipment, which had been lagging for some time, are again rising this quarter.

Q You said a little while ago that consumer income was not related necessarily to purchasing power. What do you mean by that?

A The purchasing power of consumers during any particular period includes, in the first place, the income received by people during that period. Second, it includes what they can or do borrow on net account. Third, it includes what people have accumulated through savings, particularly the assets which they hold in liquid form. The last factor is of tremendous importance, especially during short periods. The liquid assets now held by individuals are in excess of 200 billion dollars.

Q What does that include?

A That includes cash, bank deposits, savings and loan shares and U. S. government securities held by individuals. If you include also insurance equities and holdings of State and local bonds, you add approximately another 100 billion dollars to the sum I've mentioned.

Q What if people should begin spending those liquid assets in an accelerated way?

A In that case we would be reasonably certain to get a rise in prices. It might be a huge rise.

FALSE DOCTRINES—

Q In the last 12 months we've had that expressed by different people who insist that either the $20 tax cut or the $700 exemption was necessary to increase purchasing power. And, again, recently some spokesmen of organized labor have said that we are heading for trouble because we are not increasing purchasing power through tax reductions. Do you think that that doctrine of "We must increase purchasing power" is sound?

A There are many such doctrines. There is, for example, the doctrine that there is a chronic shortage of purchasing power in our economy. This doctrine is fallacious. There is also the doctrine that the income of a nation is some fixed multiple of the purchasing power of farmers. This doctrine, too, is fallacious.

On the other hand, it is undoubtedly true that incomes earned by people are the foundation of their purchasing power, and that it is desirable to increase the earnings of people. I feel that the doctrine that Government should utilize its power to stimulate the growth of the nation's income is perfectly sound. The real problem is to do this in ways that will bring lasting benefits to people. A rise in money incomes that leads to inflated prices will not do this.

Q So that you could make an argument for increased purchasing power at any time, couldn't you?

A That has been done.

Q What if people should start spending their accumulated purchasing power, their savings? They're turning that over very slowly right now—

A If they did, then the success that we've recently had in stabilizing the value of the people's dollar would probably vanish promptly.

(Continued on next page)

. . . "Tax legislation last year was to stimulate expansion"

Q You mean that prices would go up?

A Certainly!

Q Then people will become frightened about their money, the value of their money, and so on—

A In the short run that isn't very likely. Even during a period of inflation, this kind of fright doesn't come until the inflation is well along.

Q Well, in the broad-gauged look at the next 25 years, do you see purchasing power steadily increasing?

A I expect our national income to keep increasing.

Q What about prices—will they go up?

A I very much hope that we can maintain a reasonably stable price level. Whether the pressures in our society toward inflation can be contained is, however, still an open question.

Q What about land values—will they tend to increase as they have before?

A I would rather expect that.

AVOIDING A SETBACK—

Q Do you think we can avoid a very severe setback, a severe adjustment?

A Adjustment in what?

Q In the general economy. We have had no postwar depression yet, and usually we've had some—

A We have a good chance of avoiding depression if, in the first place, businessmen and union leaders continue to act with that sense of responsibility which was so prominent a feature of the recent recession and if, in the second place, the Federal Government continues to be mindful of its heavy obligations under the Employment Act.

Q After past wars, we've had a gradual decline in prices. But you don't think that's going to occur?

A That is much less likely in today's world—

Q In the '20s we had a slow decline, and then we never worried about getting it up until another war—

A We had a very gradual decline in prices after 1925.

Q Profitless prosperity—

A No, profits were quite satisfactory during the '20s. Indeed, I think that something of an imbalance between profits and wages developed during the late 1920s.

Q What about the world-wide condition? All over the world conditions were depressed in the '30s. We weren't the only factor, our own economy—

A By no means. It may, in this connection, be well to note that, as a result of events during 1953 and 1954, the popular theory that America is the great producer and exporter of depressions is no longer accepted as widely as it has been. There never was a good historical basis for this generalization.

Q To what extent is confidence a factor in the continuity of an economy?

A I don't know of anything more important, provided it does not carry us into a zone of overconfidence.

Q What do you mean by confidence, exactly? How would you define it?

A When I say that the level of confidence is high, I mean that businessmen, investors, workers and consumers expect that their own economic position and that of the nation at large will steadily improve. It means that people look forward to a growing economy with stable institutions and a stable dollar.

Q The stability of credit?

A That's a factor, yes. In our thinking about governmental policies, I feel we must pay increasing attention to the process of building confidence, to the process of shaping favorable expectations concerning the future of our country and the growth of our economy.

Q To what extent is political change a factor in either increasing or decreasing confidence? What about, particularly, laws that affect the economy?

A I think that much of the legislation enacted by the Congress last year, especially with respect to taxes, unemployment insurance, roads and Social Security, helped to build confidence.

Q And, conversely, might legislation of a restrictive nature impair confidence? Punitive taxes, for instance?

A I don't know of a surer way of killing off the incentive to invest than by imposing taxes which are regarded by people as punitive.

Q Are we lucky we haven't killed it already?

A One of the very good things about our society is the stability of our habits. Many people are accustomed to working hard. Some will work less if taxes rise, but many or most people will work just as hard as before. They may undergo a great deal of tax punishment or regulatory punishment before they modify their habits.

In the meantime, laws may be changed with a view to encouraging habits of enterprise in the coming generation. The moral capital of our civilization is very large, but it is not inexhaustible. It can deteriorate from one generation to the next.

AIM: WELFARE OF ALL—

Q Going back to the question of confidence, you are in touch with the economic facts of the country. Do you think the policies of the present Government can rightly be said to be beneficial to only the people at the top—the top businesses and people? What is your answer to the argument that's made that everything in this present Administration is based upon a "trickle down from the top" doctrine?

A As I see it, this Administration has striven very earnestly to work for the welfare of the American people as a whole, not this group or that. The extension of coverage and benefits under our Social Security system, the improvements in the unemployment-compensation system, the proposal to raise minimum wages, the programs of slum clearance and urban renewal, our housing-credit policy, and our efforts to prevent further wastage of people's savings through inflation—surely all these programs were designed to aid people with low or moderate incomes.

We've talked a good deal today about the liberal terms of housing credit. Whatever the merits of this policy may or may not be, let us not overlook the fact that the man of wealth does not need to borrow when he purchases a home.

The basic aim of the tax legislation last year was to stimulate the expansion of the economy, so that the growth in employment and production would be resumed. Some argued that this result would be facilitated by encouraging consumer spending. Others argued it would be better to encourage investment expenditures. The Administration decided to work on both fronts. Hence both business and personal taxes were cut substantially.

(Continued on page 62)

Is it true what we say about...

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President

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Personal income taxes were reduced in January, 1954, by about 10 per cent in the lower and middle income brackets. The cut was about 1 or 2 per cent in the highest income brackets. Beyond this, the Internal Revenue Code of 1954 made numerous revisions of the tax laws to alleviate personal hardships.

Other features of the tax program were of immediate benefit to business rather than individuals, and it was hoped that these tax changes would stimulate investment. This seemed important at a time when unemployment was concentrated in the durable-goods industries. By and large, it seems to me that later events have confirmed these policy judgments.

DEPRECIATION: WHO BENEFITS—

Q What about the liberal depreciation formulas—would you say that is an example of "trickle down" or "trickle up"?

A I don't use those terms myself. What I would say is that liberalized depreciation allowances tend to encourage investment, that investment expenditures create employment, that much of our investment also intensifies business rivalry, and that, as a result, improved products, a greater variety of goods, and lower prices become available. Expenditure on more and better industrial tools has been the great force making for higher living standards in our country. We cannot afford to forget that, even for a moment.

Some people hold to the theory that the best way to stimulate investment is by increasing consumption first. That is true when business confidence is at a low ebb. On the other hand, when the level of confidence is high, as it was last year, much quicker results may be obtained by stimulating investment directly. A very large part of investment is not at all tied to short-run variations in consumer sales. It depends heavily on psychological factors, and tax policy is nowadays one of the most important determinants of people's expectations concerning the future.

Q You used the word "expectation" in relation to confidence. How do you account for the "underexpectation" of the motor-car industry and the tremendous sale of cars so far this year?

A I have no special explanation for it. The art of economic forecasting is extremely imperfect. The extensive changes made last fall in automobile designs presented a new situation.

I was in Detroit and talked to people there at the time of the model change-overs, and there was a great deal of guessing and uncertainty. The new models had to be tested in the market place and the market test proved to be far more successful than was anticipated.

Why did this happen? Partly because the new automobiles turned out to be well suited to people's fancy, and partly because there was a faster pickup in the economy than the men in the automobile industry had counted on.

Q What is the status of the farmer? Has his income actually dropped?

A Total farm income has been declining since 1947 or 1948. The number of farm proprietors has also been declining, and it is important to allow for that in any discussion of farm problems. The net income per farm in 1954 was about the same as in 1953, when you allow for inventory changes. It was appreciably lower, however, than in 1948 or in 1951. Agriculture has been undergoing a difficult process of adjustment. Farm prices have been dropping since 1951.

Q And the prices at which he buys have been going up?

A The prices at which the farmer buys have been fairly steady in recent years. Of late, however, they have been edging up a little.

Q Oftentimes the farmer is led to believe that you can't have unprofitable agriculture and have a profitable economy otherwise. Do you think there's any truth in that?

A If farm income kept going up when industrial income is also rising, the forces making for expansion would be strengthened. But the income of every major sector of the economy need not rise at the same time in order to have an expanding economy. There's no basis for any such generalization.

Q And farm income doesn't represent such a large national proportion as it used to, does it?

A Both farm income and farm population have been declining for many years, relative to the whole. At present the income of farm proprietors is a little under 5 per cent of total personal income.

Q You also hear the theory expressed that, if farm price levels decline, then eventually all price levels generally will decline. There seems to be a kind of mystical feeling about industrial prices being tied up with it. Is there any basis for that?

A There is some basis for this view. Farm products are important raw materials of industry, so that any reduction in this category of costs may be expected to have some influence on the prices of finished products. But other costs, particularly of labor, are, as a rule, much more important.

Q Is that the basis upon which you said earlier that eventually we may have an increasing price level?

A The problem is more complicated than that. There are various forces in our society that at the present time are working in an inflationary direction. Incomes are now higher than they have ever been. Production and employment are rising. Consumer spending is setting new records. Investment spending is increasing. When you allow for seasonal factors, unemployment is well under 3 million. Yet, there is considerable popular pressure to get the federal budget, which is still out of balance, further out of balance. In the face of facts such as these, it is hard to avoid speculating about what may happen in the sphere of prices in the future.

WHAT HURT FARMERS IN '20S—

Q Going back to the agriculture-farm situation, in the '20s didn't you have a situation where farm income was dropping and industrial profits were rising?

A Generally speaking, agriculture was somewhat depressed during the '20s, while industry was prosperous.

Q So that we had trouble with surpluses all through that period, up to a summit in '29? That helped to break down the whole thing then—

A What happened was that farmers expanded their acreage and production significantly during World War I. Many went into debt to acquire land at inflated prices. Difficulties began soon after the war ended. Export markets were now smaller. The new power technology was displacing considerable acreage. The prices received by farmers were far below the war level. The prices of the commodities they bought were also lower, though not as much.

(Continued on page 64)

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. . . "A persistent policy of debt reduction would be a mistake"

Taxes and interest payments, on the other hand, were higher. Wages of farm laborers were also higher, though they were below the 1919-20 level. These difficulties of farm proprietors during the '20s, intensified our economic troubles in the early '30s, but they did not create them.

Q A lot of the demand for our raw materials comes from the new expansion in Europe. We have big investment programs over there. Are their economies expanding on a stable basis so that those production rates will hold and not generate a world-wide recession and pull down prices of raw materials throughout the world?

A There is better control now over money and credit in Western Europe than we've had in a long time. I see in this fact some protection against the kind of difficulty you have suggested.

EFFECT OF AN AUTO STRIKE—

Q Going to the short range a little bit, what's going to happen to our economy if we have a big automobile strike on the guaranteed annual wage?

A I find it very difficult to say what will happen.

Q Would it affect the economy adversely?

A It could have very serious consequences on the level and course of employment, production and prices.

Q Can we absorb a guaranteed annual wage, do you think, in industry?

A I find it hard to comment on this issue, partly because the term "guaranteed annual wage" is used in a variety of senses. Let me say only that our federal-State unemployment-insurance system, which has been materially strengthened in the past two years, both can and should be strengthened further.

Q You have indicated that you have no economic blueprint for sudden peace. Do you have an economic blueprint for a sudden downturn?

A We are always working on plans for coping with an economic downturn.

Q Do they emphasize taxation?

A Yes, as well as other factors.

Q Public works?

A Yes, also monetary and credit policies.

Q Those are pretty powerful weapons. Are there any other points in the plan should there be a downturn?

A There's a great deal the Government can do. It could step up expenditures in many directions, quite apart from public works. It could speed up action on the applications for private investment that keep flowing into our various governmental offices.

There are numerous ways of accelerating economic activity. The important thing is to do this in ways that will not build up future troubles.

Q Over the years people have talked about a "shelf of public works." Is there such a thing as a "shelf of public works"—things which are planned for the right economic moment?

A We have developed a systematic inventory of useful and needed federal public-works projects. This record tells us what projects have been planned, the stage reached by planning, whether they can be started promptly or within six or 12 months, where the projects are located, how much employment they will generate, and so forth.

We have this information tabulated systematically and we are trying to keep it up to date. We have also made a survey of the planning that has been done by States and localities. It is important to stimulate additional advance planning of State and local projects, and the Federal Government has a modest program for doing this.

Q So that you would say to the public that if we do get an economic downturn, you would not be caught without plans to deal with it?

A I think that is a fair statement.

Q How do you classify public roads—as part of public works?

A Yes.

Q What do you think about this 100-billion-dollar program? Is it one of the things that may take the place of the housing boom if we get it passed?

A It's one of the things that will supplement the housing industry.

Q We keep hearing that the national debt is so large it can't get any larger. Do you have great worry over the 275-billion-dollar national debt?

A I'd like to see it smaller.

Q Is there any inherent danger there, though?

A I see none, provided we continue to manage the debt with an eye to the needs of the economy. In particular, we must avoid the temptation of keeping interest rates down merely for the sake of lightening the Treasury's burden.

WHEN TO CUT NATIONAL DEBT—

Q How do you reconcile it with the fact that we've been taught ever since we knew anything about debt that you've got to pay it off sometime. We haven't paid a nickel off our national debt since 1945—

A It would be desirable to reduce the national debt whenever this is consistent with the maintenance of reasonably full employment. I hope we will do that, but not go beyond that.

Q You believe in the perpetual debt, like England?

A The question here is not of the particular form of the debt but its over-all size. I'd begin worrying very much if we embarked on a policy of paying off national debt without regard to economic conditions.

Q That would mean cutting down the money supply, wouldn't it?

A It might or might not do that, depending on whether the debt is repaid to commercial banks or to others. The critical point, as I see it, is that the Government would be taking more out of the income stream in taxes than it would be putting back into the income stream. Because of the way in which Social Security taxes and payments are treated, this happens to some degree even when there is no change in the recorded public debt. A persistent policy of debt reduction, which proceeded without regard to what was happening in the sphere of business and employment, would be a serious mistake.

Q What about a growth in public debt?

A I'd much prefer not to see this happen. It is highly important to avoid a policy that, if persisted in, will lead us into inflation. Circumstances may arise, however, when a temporary increase of the public debt is warranted. For example, if we ran into a period of extensive unemployment, we would be apt to pile up a sizable budget deficit unless taxes were increased. But a period of declining business is a very poor time to raise taxes.

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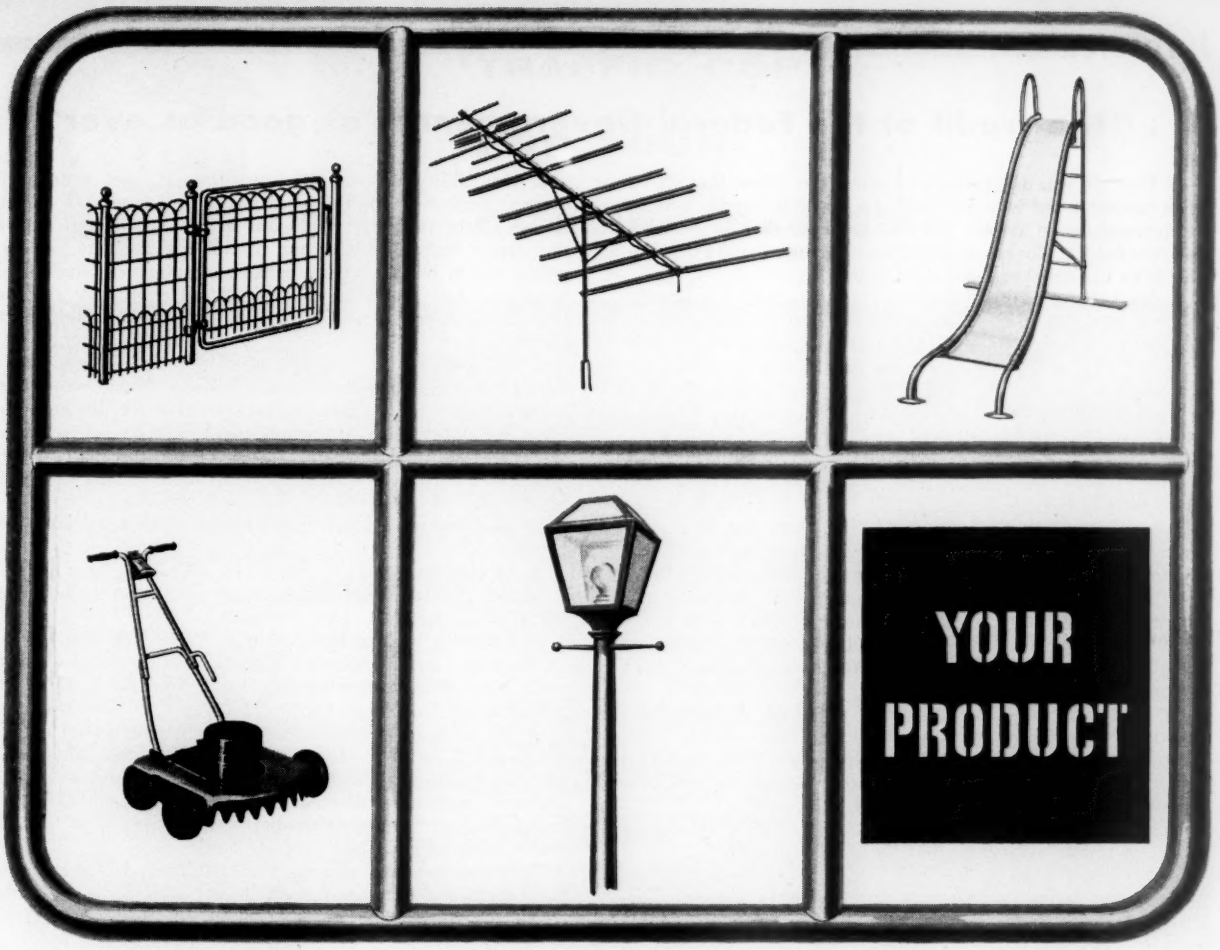

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. . . "The credit of the Federal Government is as good as ever"

Q How do you differentiate between the fellow that we've been talking about who has bought a house on credit, bought an automobile on credit, and the Government? Why make one rule for the Government and another rule for the individual? Why can't he keep that debt, too?

A Well, there is this difference. The man who has bought a house or an automobile on credit has acquired a depreciating asset. Unless he reduces his debt, the safety of the outstanding loan will decline and the risk of loss to the lender will become greater. When the Government borrows, it does not ordinarily pledge a specific asset. Despite this and the swollen size of our federal debt, its safety is beyond question. If our debt has increased, so too has the nation's taxable income. The credit of the Federal Government is as good now as it has ever been.

If we should find ourselves on the threshold of an inflationary situation because of very high activity in the private sphere, it would certainly be wise to reduce the federal debt. On the other hand, if we set about persistently to reduce the federal debt, without regard to the state of the economy, we could bring on or intensify a deflation in prices and unemployment. If we invited such miseries, we might later get inflation with a vengeance.

Q Isn't that analogous to what we used to have with mortgage debt? Prior to this installment business on mortgages, in New York City there are certain buildings on which the mortgages never changed, because the equity was continually rising anyway—

A A rise in prices can create equity and thereby sustain the safety of a fixed mortgage. But the safety of the federal debt does not depend on any rise in prices. It depends on the character of the American people, as expressed through their Government, and on the nation's income. In our growing economy, with our growing national income, we need not be afraid of our public debt. For one thing, we can grow up to it.

As our national income rises, the burden of the federal debt will continue to decline even if its amount is not diminished. That is just about what has happened since the end of World War II, though I regret to say it happened partly through price and income inflation.

Q But what is the basic reason why we shouldn't? The average person doesn't understand why you can advocate no reduction in the debt—

A I do not advocate that. On the contrary, I would deem it a very good thing at a time when private debt is increasing rapidly and when prices are already pressing upward or seem likely to do so in the very near future.

MORE EQUITY CAPITAL NEEDED—

Q Doesn't an economy like ours, with its growth based on investment, require actually a large outstanding private and public debt? Don't the two go together?

A They need not go together. I would like to see the nation's growth stimulated, and our economy would be stronger if it happened that way, through private enterprise of States and localities and their debts, rather than by federal borrowing. I also think that our growth will rest on a sounder foundation if equity capital accounts for a larger part of the private investment than has been the case in recent years.

Q But, if you don't reduce debt during peacetime, how are you going to face debt in the next war when you might run the debt up another 200 billion dollars again?

A Our ability to handle the next war, if there is one, will depend fundamentally on our capacity and ingenuity as producers. Debt policy is significant in this connection only to the extent that it affects our productive capacity. A debt policy which had adverse effects on employment and prices would weaken the economy. I need not emphasize the fact that unemployment and falling incomes often demoralize people.

Q It comes to the question of whether we can handle a debt of 400 billion instead of 275 billion. Wasn't one of our great strengths in the last war the fact that we did have this great unemployment? The whole machinery was so run down that the war filled the void and we were able to carry it—

A Let's not try to create unemployment in anticipation of war.

Q Are you worried about the stock market, or have you been?

A My business is to worry.

Q Do you feel that people have placed an unduly high value on equities?

A I have no way of knowing that. What I do know is that we have had a sharp increase of stock prices in a brief period.

Q You mean uncomfortably fast? You don't mean the actual level—

A No man is wise enough to tell whether the level of stock prices today is too high or too low. But when stock prices rise rapidly in a short time and the amount of borrowing in connection with security transactions increases, it is natural to ask the question whether stocks may not be shifting to some degree into weaker hands.

Q Aren't you sort of caught in a dilemma? We still don't have much equity financing, which is considered so desirable—

A No, we don't have nearly enough.

Q Why?

A Our tax laws are partly responsible for this. They favor debt financing.

CONTINUED GROWTH AHEAD—

Q Is this country going to grow, as you see it, in the next 10 years?

A I expect it to grow in the next 10 years and the next 50 years.

Q Provided we have confidence in ourselves?

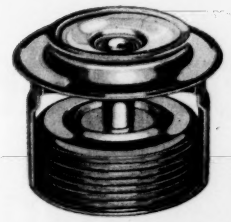
A That is one of the basic conditions. We must have confidence in ourselves and in the power of free and competitive enterprise to generate economic growth.

Q You don't believe, then, with the New Deal, that this was a mature country, that its growth is in the past?

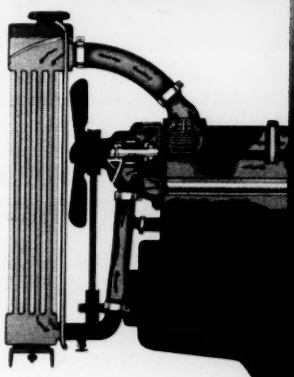
A Much of the thinking in the '30s along those lines was very unfortunate.

Q You, of course, haven't been here through preceding years, but is the President and the Administration keeping in closer touch today with economic changes, and is the work of a Council such as yours growing because of the need of a President of the United States to know economic conditions?

A The need for following economic developments closely is certainly growing, and so, too, is a recognition of this need. The President gives a great deal of attention to what is happening in the economic sphere, both domestically and abroad. So do the members of his Cabinet and others in the Administration. The Council of Economic Advisers is never short of work.



"TRAFFIC COP" FOR YOUR COOLING SYSTEM!



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HARRISON RADIATOR DIVISION, GENERAL MOTORS CORP., LOCKPORT, N. Y.

HARRISON

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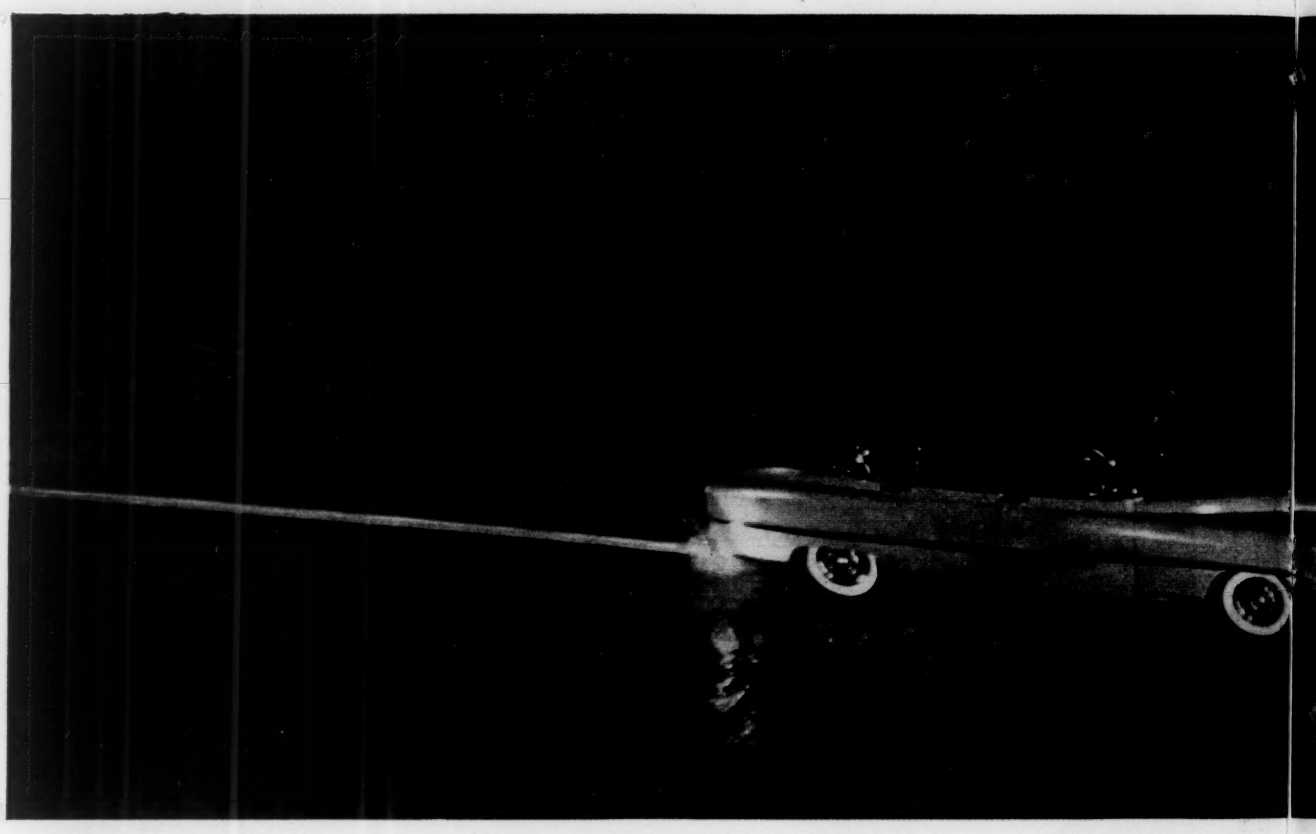
Here's "STOP-ACTION" proof you'll rugged NEW ALL-NYLON CORD



We attached a yellow light to the rear fender of a car equipped with new All-Nylon Cord Tubeless DeLuxe Super-Cushions; a red light to the rear fender of a car equipped with last year's premium tires with conventional treads.

Both drivers sped down this wet, slick street—crossed a signal marker together, and slammed on their brakes. The pic-

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To give you the "surefootedness" you need, Goodyear has combined (1) saw teeth rib edges with (2) deep-cut Stop-Notches and (3) flexible cross-cuts. With today's smooth-finish highways and fast, powerful cars, you need more dependable, longer-lasting traction.

And that's exactly what you get in the new All-Nylon Cord Tubeless DeLuxe Super-Cushion.

More than 8,000 edges are ready to give you swift, safe stops. And you get all of this added traction without any added noise.

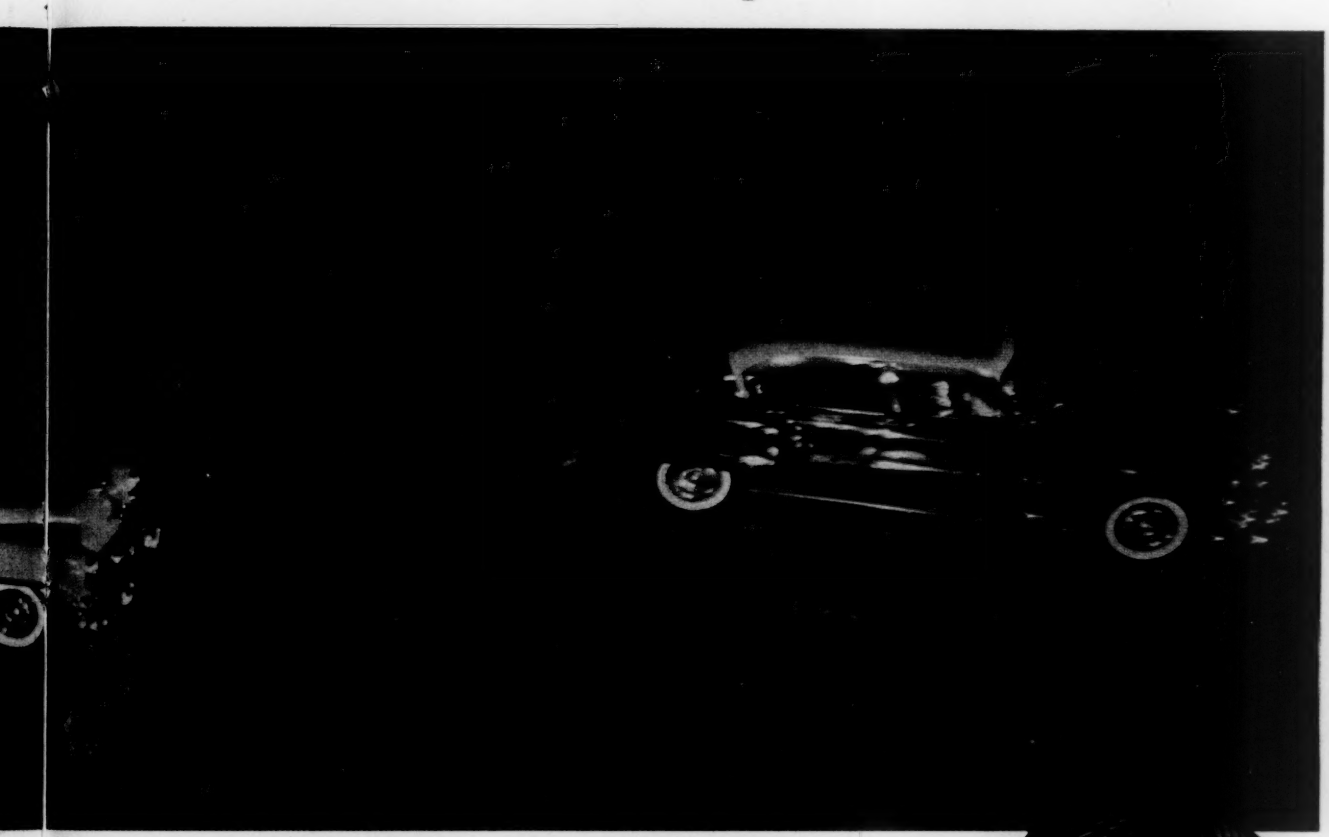
MORE PEOPLE RIDE ON GOODYEAR TIRES THAN ON ANY OTHER KIND!

GOODYEAR TIRES

NEW ALL-NYLON CORD TUBELESS DELUXE SUPER-CUSHION BY GO

Look for this sign; there's a Goodyear dealer near you.

get amazing traction with the TUBELESS TIRE by GOODYEAR!



ture shows you the results. The red line is long and irregular, while the yellow line is short and straight. Proof that the new All-Nylon Cord Tubeless DeLuxe Super-Cushion lets you brake to swift, safe, straightline stops.

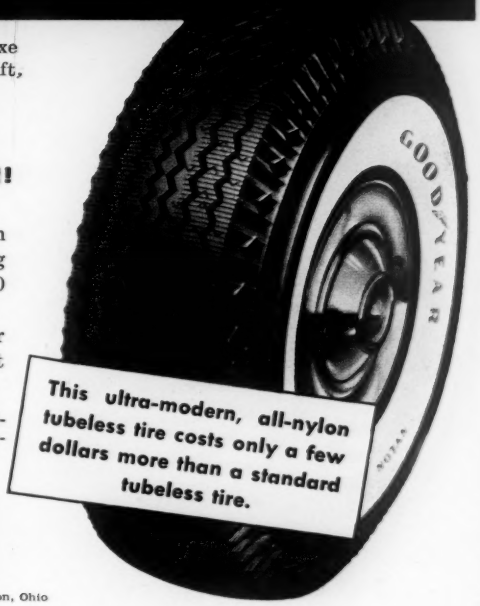
THERE'S A BIG DIFFERENCE IN TIRE CORD!
ONLY GOODYEAR HAS TRIPLE-TEMPERED 3-T NYLON!

In its exclusive and patented 3-T process, Goodyear Nylon Cord is integrated with improved rubber compounds and triple tempered under Tension, Temperature and Time to produce a tubeless tire body completely unified—completely airtight.

This miracle strength 3-T Nylon Cord took almost a million smashing blows on railroad ties, over 1,000 pounding runs over jagged rocks.

See this tire at your Goodyear dealer's. It will fit your present wheels. Goodyear, Akron 16, Ohio.

This great new tread is also available in an All-Nylon Cord Super-Cushion tire that uses a tube.



This ultra-modern, all-nylon tubeless tire costs only a few dollars more than a standard tubeless tire.

GOODYEAR

Super-Cushion, T. M., The Goodyear Tire & Rubber Company, Akron, Ohio

How fast is the PETROCHEMICAL industry growing?

William F. Bland, Editor
Petroleum Processing magazine has an answer:

"The petrochemical industry is growing at the rate of 12% per year. Output in 1954 was 28 billion pounds. This year it will probably reach 31.5 billion and within the decade, annual production should be at the rate of 100 billion pounds.

"The growth potentials of this young industry appear to be almost endless. Such products as plastics and synthetic fibers have just begun to scratch the surface. Synthetic rubber and detergents have huge, steady markets. Fertilizer, produced by this industry, may well have a far reaching effect on overall agricultural economics.

"New plants and expansion projects, now in the building or planning stages, will add $750 million to the present $3 billion worth of plant capacity. For the future, capital expenditures of between 500 million and a billion dollars annually are indicated if capacity is to stay ahead of demand."

Calumet & Hecla is a supplier of materials and components to the petrochemical industry

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Everybody likes to spot a 'comer' — early

THE MAN... Chou En-lai

THE NEWS... Red China's Smoothie

—European

Communists' Ace Diplomat Usually Gets What He Wants

U. S. is up against a sharp trader in Red China's Chou En-lai.

He's charming but ruthless—and he has a record of getting what he goes after.

AMERICAN DIPLOMATS are coming to grips again with an old adversary—Chou En-lai, Communist China's Premier. And they know from experience that they are going up against a smooth and tricky operator.

Chou is the man behind Red China's latest "peace offensive," aimed at direct talks between the Communists and the United States on the war threat in the Formosa Strait.

This man for months has been saying that Communist China intends to take over Formosa and the offshore islands of Quemoy and Matsu by force, if necessary—even at the risk of war with the U. S.

Now he is saying that Red China wants to "talk things over." But he insists that the Communists will not give up their claims to the islands now held by the Nationalist Government of Chiang Kai-shek.

U. S. officials find little in Chou's offer or in his past diplomatic record to encourage the idea that he is really willing to reach a peaceful compromise in that troubled area.

Keen negotiator. Chou is rated as one of the world's ablest negotiators. Last year he obtained, almost singlehandedly, an Indo-China truce that gave the Communists a huge slice of that country, and a springboard to further conquests.

Before that, Chou negotiated a truce that gives the Reds a firm foothold in Korea and a chance to build up militarily for the next move. Years ago, it was Chou who sold the rest of the world on the idea that China's Communists were not really Reds, but "agrarian reformers." That idea had much to do with the undermining of Chiang Kai-shek's Nationalist Government.

This time, the Communists' master diplomat is out to pick up by negotiation whatever territory he can in the Formosa Strait—and convince other Asians that the U. S., not Red China, is blocking a peaceful settlement.

Chou's peace bid, made at the end of the Afro-Asian Conference in Bandung, topped a week's display of his diplomatic skills.

At that conference, one Asian speaker after another made blistering attacks on Communist aggression. Chou was visibly angered by these unexpected attacks—and some observers jumped to the conclusion that he had suffered a diplomatic setback that would take weeks or months to repair.

New prestige? Those estimates are having to be revised. Western officials admit that Chou, far from losing prestige at Bandung, may have picked up some new friends among Asians and Africans. Their respect for his talents is heightened by his performance under fire.

He brushed aside, mildly, attacks on Communist aggression. In private meetings, he charmed delegates with talk of art, exotic foods and music. He invited Asians who fear Red China's might to visit and "see the border from inside." He even supported the right of other Asian countries to join together in self-defense.

He induced the Viet Minh Communists to promise noninterference in neighboring Laos. Actually, this agreement merely reaffirms the terms of the Indo-China truce agreement—and it obliges Laos to take Reds into its Government.

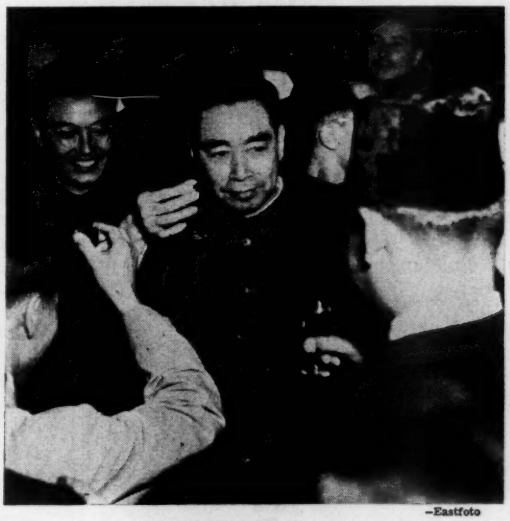
Chou, at Bandung, learned that practically all of the delegates acknowledged Peiping's claim to the offshore islands of Quemoy and Matsu—but they strongly condemned any resort to force. Chou found that an attack on the offshore islands might mean alienating the rest of Asia.

Shrewd timing. His "peace bid" was a masterpiece of timing. Coming at the end of the Conference, it gave Asians and Africans no chance to ask him questions about hidden traps in the offer.

His offer, as it stands, excludes Chiang Kai-shek from negotiations, and implicitly rules out any settlement that does not accept Red China's claim to Formosa itself as the starting point.

Yet many Asians, including some who made speeches against Communism, are impressed by Chou's offer. Chou emerged from the Conference with the reputation of being not only a charming but also

(Continued on page 72)



—Eastfoto

CHOU EN-LAI
Socially, a charmer

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Chou wins goals under a cloak of affability . . .

a "reasonable" man. And some Asians already are critical of the U. S. for not accepting his offer even more enthusiastically.

China's Premier is a past master at the art of getting what he wants under the cloak of affability and good will.

Disarming manners. Chou, now 56 years old, presents a handsome appearance. His smile wins friends at will. He comes from a mandarin family, and his conversation can be cultured and engaging. He speaks polished French and self-taught English—when he wants to. Even his archenemy, Chiang Kai-shek, is said once to have called Chou a "reasonable" Communist.

The U. S. had its first painful experience with this man in the 1940s. Chou then was the Communist emissary to the Nationalist capital—first Chungking, then Nanking—where American officials were trying to negotiate a truce in China's civil war.

At that time, Chou captivated nearly every American he dealt with. He slapped them on the back, and he picked up American slang. Gen. George C. Marshall, among others, spoke of Chou with "friendship and esteem."

People in those days saw Chou as a modest, humble and honest man. That picture of Chou was used to heighten the impression of the Nationalist Government as corrupt and opportunist.

There is a ruthless side to Chou, however. When the truce talks broke up, he denounced General Marshall as a deceiver. And it turned out that Chou, during his long stay, was organizing secret Communist cells while talking peace and unity to the Americans. These cells helped to undermine the Nationalists a few years later when Red armies swept southward.

Murder—with a smile. A close look at his record turns up more examples of his ruthlessness. For instance, an old Shanghai police dossier points to Chou as a murderer. In 1931, he is said to have supervised the murder of the entire family—11 persons in all—of a Red who had turned against the party. One witness told police she had seen Chou standing by, smiling, as his henchmen strangled men, women and children.

Chou is a real power in Communist China—not a mere "front" man or foreign spokesman for the Reds. His post as Premier ranks just below that of Mao Tse-tung, Chairman of the Government Council. The two, in the past, conspired against each other until Mao became undisputed boss of the party. Now they work together, and Chou is believed

. . . After Formosa, the aim: get U. S. out of Asia

to hold complete control over Peiping's foreign policies. Western negotiators find that Chou, unlike Russian diplomats, can give them quick answers to proposals without cabling his Government for instructions.

From his long experience, Chou sizes up the United States as a country that can be worn down by a patient adversary. In 1953, he told a Communist meeting that America lacks endurance for prolonged conflict on an issue that might be considered "unimportant" to U. S. security.

He finds that a long period of bluster, then a sudden switch to acting "reasonable," is an effective way to get his Western opponents to negotiate.

When it comes down to actual negotiations, U. S. dipomats find Chou affable and "reasonable" only on minor points. On big issues, he is unyielding until he gets what he wants.

The agreements that Chou wants are those that give the Reds a foothold, and the chance to build up for a take-over of more territory later—by diplomacy, subversion or war. That technique, so far, has given the Communists much territory in Korea and Indo-China, and the prospect of getting more.

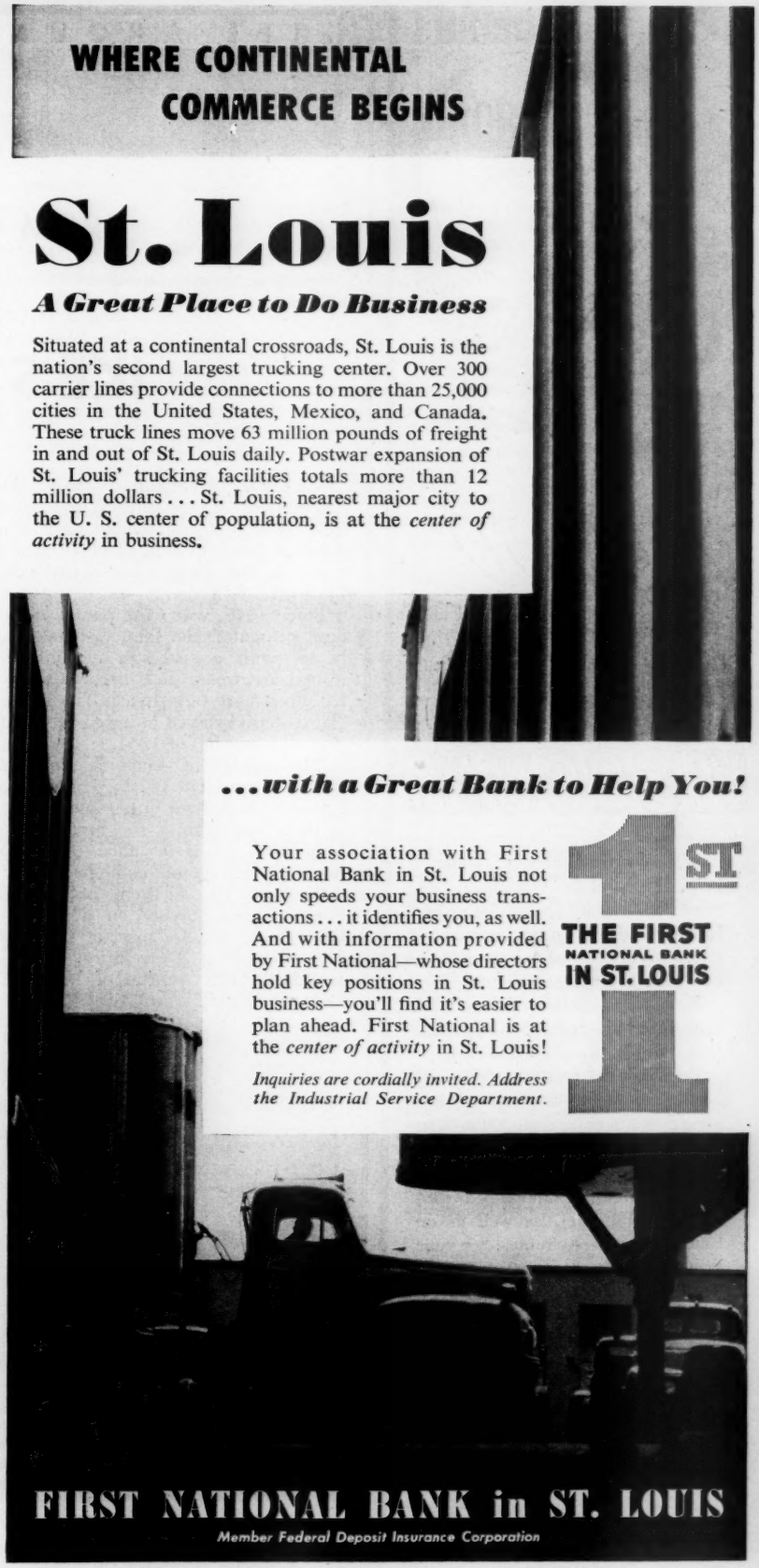
American officials, looking at his diplomatic record, doubt that Chou really hopes to get Formosa itself right now through negotiation. What he is trying to do now is to persuade the U. S. that it is not worth while to defend the islands of Quemoy and Matsu—that those islands are "unimportant" to the U. S.

Main goals. After that, Chou can start his next phase—to discourage the United States from defending Formosa, the major prize.

Chou's ambitions, however, go far beyond Formosa. He has said openly that he intends to force America—its troops, bases and prestige—out of Asia altogether. Once that is accomplished, China's Communists have proclaimed their intention of helping Communists in neighboring Asian countries take over that rich area of the world.

Nobody who knows Chou thinks that he is now changing those long-range goals. His offer to talk things over with the U. S. is just the next step on the program of Red China's master diplomat—a man whose skill in getting what he wants by one means or another is both feared and respected by those who have dealt with him in the past.

For what Chou and other Asian leaders actually said at Bandung—see page 98.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FROM SCOTLAND

IKE'S CASTLE

MAYBOLE, Scotland—When President Eisenhower leaves the White House, folks in this sleepy village in Southern Scotland hope he will come back to his home in the ancient castle overlooking the Firth of Clyde.

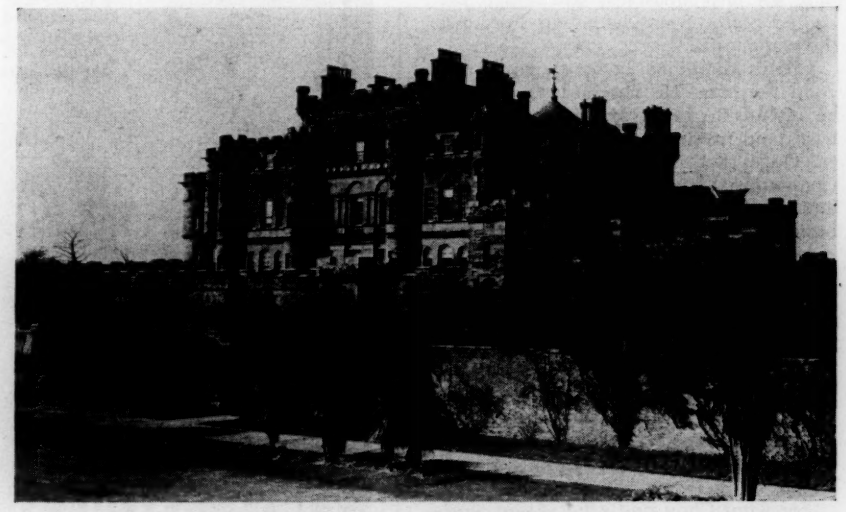
Since 1945, when the people of Scotland presented the then General Eisenhower with a spacious, elegantly furnished apartment at Culzean Castle, he has been here only twice. The absentee "laird" hasn't stayed in his castle quarters since the autumn of 1951.

The people of Maybole understand that the President of the United States has many important duties and that there is little opportunity for him to return here while he is in office. They hope, however, that he will come back after his retirement. And, to them, his retirement doesn't mean staying on a farm near Gettysburg, Pa., for most of them never have heard of Gettysburg; it means spending quite a little of his time in Culzean Castle.

Always ready. If Mr. Eisenhower does return, he will find that his 10-room apartment is kept in constant readiness for him and his guests. The nine-hole golf course, with its greens neatly trimmed, awaits them. And 2,000 acres of shooting land abound with partridge, grouse and pheasant.

Although the Eisenhowers have been here only twice, the President's guests stay here from time to time. Being the President's guest means really being his guest. Mr. Eisenhower keeps a small, private account in a Maybole bank, out of which he pays for his guests' food and compensates the servants who staff the Eisenhower quarters when in use.

Last summer there were four different groups of guests. Among them were Charles Thomas, of the Monsanto Chemical Company; Sir James Gault, who was on the General's staff at Supreme Headquarters Allied Powers Europe, with Lady Gault; and Harold Macmillan, then Minister of Housing in the Winston



CULZEAN CASTLE, SCOTLAND
Ike's suite: top floor, central block

Churchill Government and now Foreign Secretary in the Government of Sir Anthony Eden. Mr. Macmillan was a political adviser to General Eisenhower in North Africa in 1942 and 1943.

A party of students from Yale and McGill universities spent a few days at the Eisenhower apartment in the summer of 1950. Averell Harriman, when he was foreign-aid chief, was here for a few days conferring with General Eisenhower in 1951. Mr. Harriman was accompanied by the then Air Force Secretary Thomas K. Finletter and two Air Force generals.

Each guest signs the guest book, which is about the only personal possession the President keeps in the castle.

The caretaker and guide of the castle, William Miller, acts as butler for the Eisenhower guests. Mrs. Miller, with the help of a village woman, does the housework. Since the Eisenhower apartment has no kitchen, the food is prepared in the kitchen of a public restaurant on the lower floor.

Shrine. Culzean (pronounced Cullain) Castle dates back to the days when bloody wars were being fought with the British, to the south. It was made a Scottish national monument in 1945. At the same time the Scots, in gratitude for General Eisenhower's leadership of the British-American forces, offered him the "life rent" of part of the castle.

Actually, Culzean Castle is the family home of the Marquis of Ailsa, head of the Scottish clan of Kennedy. The Marquis presented his estate to the people of Scotland, but he and his family retain one wing for their own use. In the surrounding country, however, many people think of the castle as the Eisenhower home.

This district is especially attractive to American tourists now that their President has a home here. Robert Burns's cottage at Alloway is only six miles from the castle. And the tourist who drives along the fine coast road looks over the firth toward the Island of Arran and toward Ailsa Craig, the steep rock rising from the sea off the Ayrshire coast.

The Eisenhower apartment in the castle consists of a dining room, study, four bedrooms, dressing rooms, drawing room and three modern bath rooms, plus two rooms for servants. The furnishings are elegant, a combination of period and contemporary pieces.

The master bedroom has a Georgian poster bed, plus a bow-fronted chest of drawers and a huge wardrobe, both in Victorian style. The bedspread and drapes are of flowered chintz. Adjoining is a dressing room that contains a Sheraton chest, a Victorian chest and a cheval mirror. The three guest rooms are furnished in Victorian style.

The drawing room, with its five windows, commands a sweeping view of the Clyde estuary and its constant flow of shipping. The room is done in a light color scheme, and the walls are hung with pictures of naval battles in the days of sailing ships.

What public sees. The floor below the Eisenhower home is open to the public at 1 shilling (14 cents) per person. There are state rooms, banquet rooms and an armory that contains a costly collection of arms and armor.

While from one side of the Eisenhower apartment there is the view of the Clyde and, on clear days, of the islands to the west, from the other side the eye takes in an expanse of immaculately groomed gardens with their Victorian fountains, palm trees and rhododendrons. The 2,000 acres of shooting land contain some famous coverts that were used by King Edward VII on visits to the castle.

(Continued on page 76)

—Wide World

1946: THE EISENHOWERS "AT HOME"
. . . in their 10-room castle apartment

FORMOSA and the AIRCRAFT Stocks

AIR POWER, as the key to U. S. military strength, again makes the headlines as international tensions mount. Two years ago in this column, the Value Line Survey said:

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The aircraft stocks were then shown by the objective Value Line Ratings to be radically underpriced. Since then they have more than doubled in price.

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What's going on in NON-FERROUS METALS

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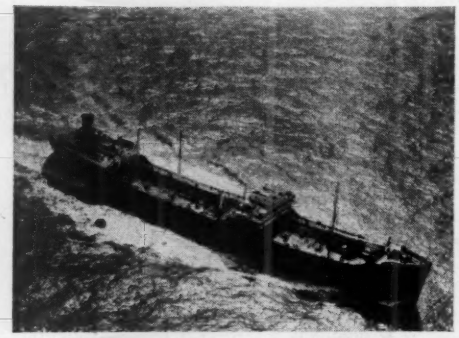

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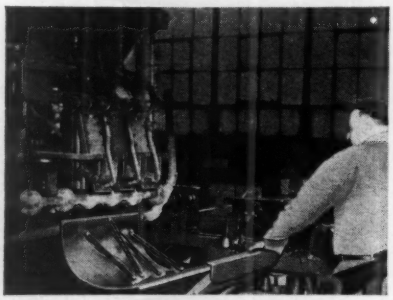

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. . . Over a Scottish castle: the Stars and Stripes

The townsmen say the President always would find good hunting here.

It was in October, 1946, that the Eisenhowers first came to Culzean Castle. Accompanied by their son, the then Capt. John Eisenhower, they drove over from Prestwick Airport. The caretaker had raised the American flag, presenting the

Mr. Eisenhower went hunting during a 1951 sojourn

The dining room of the Eisenhower apartment

strange sight of the Stars and Stripes flying over an ancient castle in Scotland. General Eisenhower was welcomed by the Marquis.

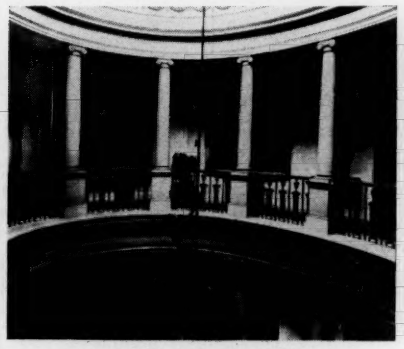
Hunting and painting. Over the next few days, General Eisenhower went shooting and came back with several pheasant and partridge. Between visits to Edinburgh and a week end with King George VI and Queen Elizabeth at Balmoral Castle, the General got in a few hours of painting, sitting in a corner of his castle study and putting on canvas the view from his window.

The second visit to Culzean came in October, 1951, while he was commander

in chief of the Allied powers in Europe. This visit lasted seven days, and most of it was spent in rest and relaxation. Again, the General painted in his study.

When General Eisenhower arrived that time, he found that the American flag flying from the castle flagstaff had been placed upside down, by mistake. In military usage, flying the flag upside down is a sign of distress. The General pointed skyward and laughed. The embarrassed caretakers quickly hauled the flag down and raised it again, right side up.

Between these infrequent visits of the President and his guests, the Eisenhower rooms are unused, closed to the public but kept spotless. After Mr. Eisenhower's death, the residence will be maintained



The top gallery, where the Eisenhower suite is located

—United Press, Combine, Black Star

1946: Eisenhowers were greeted by the castle's former owner

as a guest house for distinguished visitors. At the time the gift was made to General Eisenhower, the Scottish National Trust asked that reciprocal guest houses be set up in Moscow, Washington, London and other leading capitals, where international figures could receive hospitality. What has become of this plan is not known here in Maybole.

Will he return? Neither do the people here know just when their absent "laird" will be returning to Culzean Castle. But they hope that he will come and, in pursuit of that hope, they will continue to keep his apartment ready and his golf course well manicured.

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THE MILWAUKEE ROAD

THE WAY TO TRAVEL AND SHIP

Senator George Forecasts:

RUSSIA WILL LOSE POWER AS GERMANY AND JAPAN GAIN

Where will today's tense world wind up? Here you get a long-range, top-level view. It comes from the chairman of the Senate Foreign Relations Committee, Senator Walter George, after a talk with President Eisenhower. This is what he foresees:

• A new struggle between China and a revived Japan over one of Asia's old stakes—Manchuria.

• A Soviet Russian retreat behind its own borders, in the face of a strong Germany.

Right now, elder statesman George urges, the United States should talk with Chou En-lai, the Red China leader.

Following is full text of comments on world affairs by Senator Walter F. George (Dem.), of Georgia, in an address to the American Society of Newspaper Editors in Washington on April 23, 1955:

When I first came to this city, there was an old gentleman in the Senate for whom I had very great respect—John Sharp Williams. He hurried me into the cloakroom one day and quoted to me from some philosopher, the exact name of whom I don't remember, but anyhow, his quotation ran like this:

He said—and he was speaking to his son—"I want you to go to all parts of the world. Especially I want you to visit all the capitals of the world and see what little wisdom the world is actually run with."

I thought it was something a little sacrilegious. I couldn't quite understand it, but in the course of the years I could begin, dimly at least, to see what the distinguished Senator from Mississippi, who had studied at home and abroad, stated to me.

Now, I suppose you want me to talk to you a little bit about foreign affairs. . . .

From the beginning, of course, we have had relations with other peoples, but prior to World War I our foreign relations were hardly known to the masses of the great American people.

These relations and the relations growing out of them occupied the attention of the President, the Secretary of State, and a small group of men in the United States Senate, and intellectuals—men and women throughout the Union.

Even after the outbreak of World War II we said: "Aren't we separated from all that clash and all that confusion by 3,000 miles of ocean, and do we not live under other political institutions, and are we not dominated by other social and economic ideas?"

Well, we very soon found the answer. The ranchers and cotton growers and manufacturers soon found their markets declining and all but disappearing. And in every accounting and banking house in this nation, business, temporarily at least, came almost to a standstill. For the first time, Americans in all walks of life began to realize that every important public act committed on the other side of the globe directly affected the welfare and well-being of the American people.

At that time and prior to that time and from the beginning, we had the policy of what you and I know as isolationism. We were protected by two great oceans. The British Navy was the unquestioned mistress of the seas, and behind that Navy and those two oceans, we enjoyed an immunity seldom found by a young and struggling people, for a long, long time.

World War I came and ended, but we did not reserve the power unity which enabled us to win that war. It fell apart. We were conscious, of course, of how slightly our interests were affected by international affairs, but the unity which enabled us to win that war fell apart.

At the end of the second World War, the power unity was again dissolved and almost completely dissolved because the American people, true to their traditions, true to their innermost longings, wanted to get back home and wanted to get the boys back home and wanted to settle back into a normal life.

That war, of course, was marked by certain mistakes. All wars are, in point of policy or strategy, and we made some mistakes.

I think it may now be said, since the Yalta papers have been published, that we made a great mistake in insisting upon the complete destruction of the great producing nation in Europe—Germany.

Then, after Japan came in and before the end of the war, we again insisted upon its destruction—the complete, utter destruction of a great producing nation. Thus we insisted on the destruction of the greatest producers in the world, outside of ourselves, unmindful of the fact that at the moment we were creating economic and political vacuums.

We were right, I think, in insisting upon the utter destruction of Hitler militarism as it had been developed in Germany and as it had lived in Japan.

At any rate, we did, and, at any rate, these two great powers were destroyed. We made a peace treaty with Japan, and Japan is now slowly coming back. We made but recently a treaty with West Germany under which sovereignty is restored to West Germany. But, more than that, she is entitled to come into NATO [North Atlantic Treaty Organiza-

. . . Russians "will go back to their ancient borders"

tion]. She will come into NATO on May 5, according to present schedules.

Both Germany and Japan are moving back industrially and commercially, especially West Germany, and I do not believe any of us can understand what is going on in Europe and what has gone on there for several months without a realization of what Germany's return to the sisterhood of states in that area of the world means.

Many of the actions taken by our Soviet friends undoubtedly are predicated upon the entry of Germany into NATO; upon the rearming under restrictions of West Germany.

The coming back of West Germany will not be immediate, but ultimately it will mean the organization of all Western Europe and the retreat of the Soviets back to their ancient boundaries, with possibly the exception of one satellite which cannot be defended by Western Europe. Ultimately and at no great distant date, with the return to strength of Japan, there will commence again the age-old struggle—for Northern Korea and the rich area of Manchuria. That struggle will be between what we now call the Chinese People's Republic and Japan.

Moscow is 6,000 miles away from that battle front, and that battleground, and so two great significant facts have come to pass. They are: the peace treaty with Japan and her entry into world affairs; the peace treaty with Western Germany and her entry again into world affairs.

These are two important facts. I believe Justice Holmes once said that a single package of human history is better than a whole volume of logic.

At any rate, many men and women in this audience tonight will see the day when our Russian friends will go back to their ancient borders and boundaries and when again there will be re-established a power group in the Far East that will give some stability to that area.

Keys to Asia: Japan and India

Although you may disagree with me, I would be less than frank if I did not say to you that in my considered judgment, whatever it is worth, the great hope for stability in the Far East is somehow, sometime the revival, and I will not say consolidation, but the solidification of the efforts of Japan and India, the latter the most populous country, outside of the Chinese People's Republic, in all of Asia.

I know that you would say that oil and water can't mix, and sometimes we are all a bit worried with Mr. Nehru. Sometimes he takes some 20 courses, and yet he stands very definitely for something in the Far East. Also, very definitely, when there is a great commercial power, which again can live and thrive in Japan, and with Japan reaching out for markets, both for her fabricated goods, and particularly for her raw materials, there will begin to be order in the Far East.

I am not speaking to you about tomorrow or the day after tomorrow. I am simply saying to you what in the course of human events must be the pattern which we will see again both in Western Europe and in the Far East.

We made the supreme mistake, perhaps, at the end of World War II, in assuming that because we had fought side by side with our Russian friends to win that war and because we had come to know them, that they must be, on the whole, people with aims and purposes and aspirations much or very similar to our very own.

Perhaps we were not justified in reaching that easy conclusion, but we did reach it. We acted upon it, and that is past history. There is no need to discuss it here.

We, of course, know that Russia is still actuated with the old Russian imperialism, plus the Communistic ideologies of the 1917 Revolution. Capitalism or the capitalistic system could, of course, not be tolerated, and outside capitalism could not be tolerated because it is in the way of Communist expansion.

Now, what is the state of the world tonight? Some interesting things have been going on.

In Austria, a treaty has now been hurried to a conclusion and the four powers are invited to witness this ratification, and its signing.

That could mean but one thing. A study of Russian budgets ought to show us that it can mean but one thing, and that is that Russia is tremendously concerned with the rearming of West Germany and the taking of her place in the NATO group.

A little while ago we were very much disturbed because the Colombo group had called a conference down in Indonesia. The nervousness in some high places in Washington stems from the fact that we said we would have no friends in that Conference and that resolutions would come out of that Conference solidifying the yellow and black races against the white man everywhere. So there was nervousness here.

Then we began to speak in more optimistic language about that Conference, and only last Saturday I was rash enough, perhaps unwisely, to say that I thought the heads of state should have something to say about that Conference; that at least we should have an understanding of what that Conference meant and what its real objective was, and that I believed there would be some friends of the Western powers there.

You have heard the speeches that were made within the past week. You have noted the utterances they have made, and while perhaps those speeches do not represent the rank and file of the Asiatic states represented there, they nevertheless do represent the thinking of some of their leaders. And then, just last night and this morning you read that Chou En-lai had said he had no purpose to go to war with the peo-

When Senator George Looks Ahead—

The way Chairman George of the Senate Foreign Relations Committee sizes up the world—

On talks with Red China: The U. S. must be "big enough and great enough" to meet with the Communists over problems in Asia.

On Germany's comeback: All West Europe will be united against the Soviet Union.

On Japan's comeback: "There will commence again the age-old struggle" with China for control of the wealth of Manchuria.

Then will come the day "when our Russian friends will go back to their ancient borders and boundaries and when again there will be re-established a power group in the Far East that will give some stability to that area."

. . . "Readjustments to changing times . . . not appeasement"

ple of the United States; that he was not, at least, planning such a war, and indicated that he was willing to sit down and talk with us.

Now I have been thinking, myself, for many weeks, for many months, that after a period of great wars, and particularly of great revolutions—fairly shaking the foundations of the old civilizations—that a people into whose hands leadership has been thrust, or to which leadership had come, must be able to make some adjustments to meet the changing conditions of the world.

You may recall that not too long ago I said that I believed the time was rapidly approaching when the heads of government of the four great powers could sit down and talk about the problems of Europe and the tensions in Europe; the tensions, indeed, which shadow all civilization with some degree of a prophecy of doom.

First: Conference With Friends

Day by day the conviction that grew—at least to my way of thinking—is that we should have the conference first with our friends, with those nations who have been uniformly friendly to us, and with those nations in the Southeast of Asia—those in the security organization who are our friends.

Why?

Because I think it important that we know precisely their thinking on the important problems that have arisen in the Far East and precisely what readjustments, if any, we should be willing to make to meet changing times and changing conditions.

That is not appeasement. It never has been and never will be appeasement for any strong power to say that we are willing to sit down and talk about the problems that concern you and concern the world.

As a young lawyer I had a very important case, I thought, and I went to see an old gentleman who was involved in that litigation, but largely as a witness, and I said I have come to talk to you about this matter. He said, "I can't talk to you young man. You are on the other side."

I said, "Of course I am on the other side, but I want to talk to you. I can't learn anything or do anything unless I can talk to the men who are on the other side of this problem."

I then said something which I have always regretted when he again reminded me he was on the other side and couldn't talk, and which I attributed to my youth and inexperience. I said, "Why won't you tell me; are you afraid that you will tell me the truth or that you will tell me a lie?"

I have always regretted that because I had a profound respect for the old gentleman and through the years I have always regretted it.

I am coming now to this point: I do not know, and I doubt if anyone can know, what degree of sincerity is in the mind and heart of Chou En-lai, but I do think the things he saw and witnessed down in Indonesia since the last Sabbath have opened his mind, and when he says that he is willing to talk, then I will unhesitatingly say that this nation should be big enough and great enough through its highest officials to talk to him.

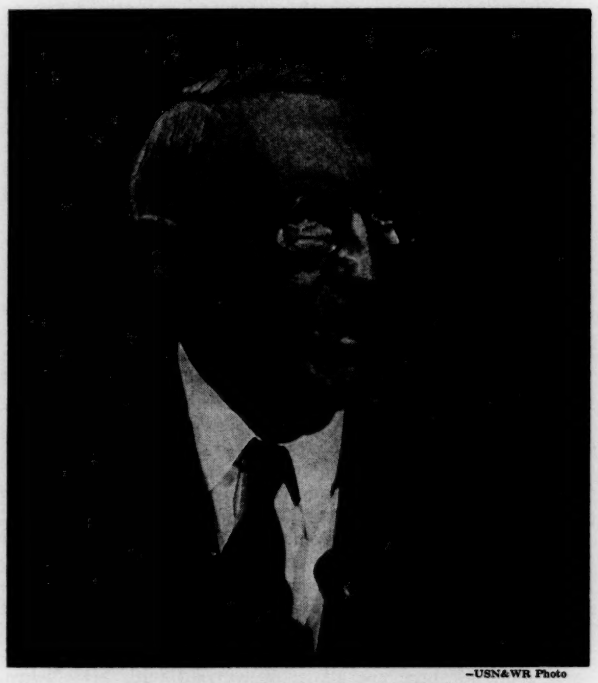
It is time that we were relieving the tensions of this world, if we can, and that when we know what our friends think and say, what position they have, in what conclusions they concur in about the trouble spot in the Far East, we should not be unmindful of that concurring judgment and opinion of our friends.

Indeed, I do not think that any nation can be unmindful of the opinion and judgment of its friends.

I am not talking about what the President should do or should not do with reference to his position now or hereafter in the Formosa area.

From the beginning I have said and taken one position, and I believe it is right, and I still believe it is right, and that decision is with the President himself.

In that conviction I have not wavered and will not waver. But I have also expressed the belief, and I believe it profoundly, that, when and if a fateful decision must be made by the President as to whether or not he will defend any island or islands in the area of Formosa, that he will get all the information that he can from his Joint Chiefs, from his military leaders, from every agency of information that is available to him. And, if I do not mistake the man, he will then go into his closet, and face to face with his Maker, he will make his own decision.



—USN&WR Photo

SENATOR GEORGE OF GEORGIA

"It is time that we were relieving the tensions"

I say now that out of a world conference there can come good in Europe, and a conference with our friends will be helpful to us. I say that we ought to be willing to talk with the Chinese People's Republic or their leaders, because we certainly owe a high obligation to all mankind everywhere. Out of that conference might come not a final solution but a first step which will lead to a second and third step towards the solution of some of the problems of our present time.

I know very well that there are many good friends of the United States who believe that the time has come when we should give more attention to our home affairs and when such aid and assistance we might give to other countries should be very definitely marked in behalf of the essential American interest which we are seeking to serve.

With that general thought, no American can quarrel, but I say to you tonight, and I hope that you editors and managing editors will bear in mind, that this is no time to say that there will be no further aid or assistance given to those people of the world that are struggling to make themselves strong.

I change my mind as I go along, frequently. I am glad I do because it is probably the only proof that I have that I am in existence.

But I change my mind about economic aid because undoubtedly tonight in many wide areas of this earth, especially in the Asiatic and African countries, Point Four if you please—technical assistance, if you wish to be more technical in describing it—is of far greater value and promises more than military aid to people who love peace and who don't want a war.

But this is no time to turn away from our international obligations; whatever those obligations are it is not time for us in the present and congenial state of the world to grow soft in our ability to carry out and execute those programs that we regard as vital.

How to Be Strong in Atomic Age

No foreign policy will receive any respect unless the people who put it forth have the strength and the will to carry it to execution.

In an atomic age, that means strength in being, because the nuclear weapons of this modern age threaten to destroy the productive capacity of the people on which great reliance could have been placed. You must have something ready and presently at hand.

So this is not the time for us to turn back in our efforts to continue militarily strong, nor is it the time for us to lose interest in the economic soundness and strength of the whole free world.

How can the free world be strong militarily and economically unless through the co-operative efforts of all free peoples, ourselves included?

How can we turn back the clock to another day and say that the trade and commerce of the world, especially the free world, should again be circumvented and departmentalized to the point almost of the stagnation of that commerce, and yet hope all free nations to become economically strong and prosperous?

Upon their prosperity and strength will depend their ability to maintain their own military equipment, their own military strength.

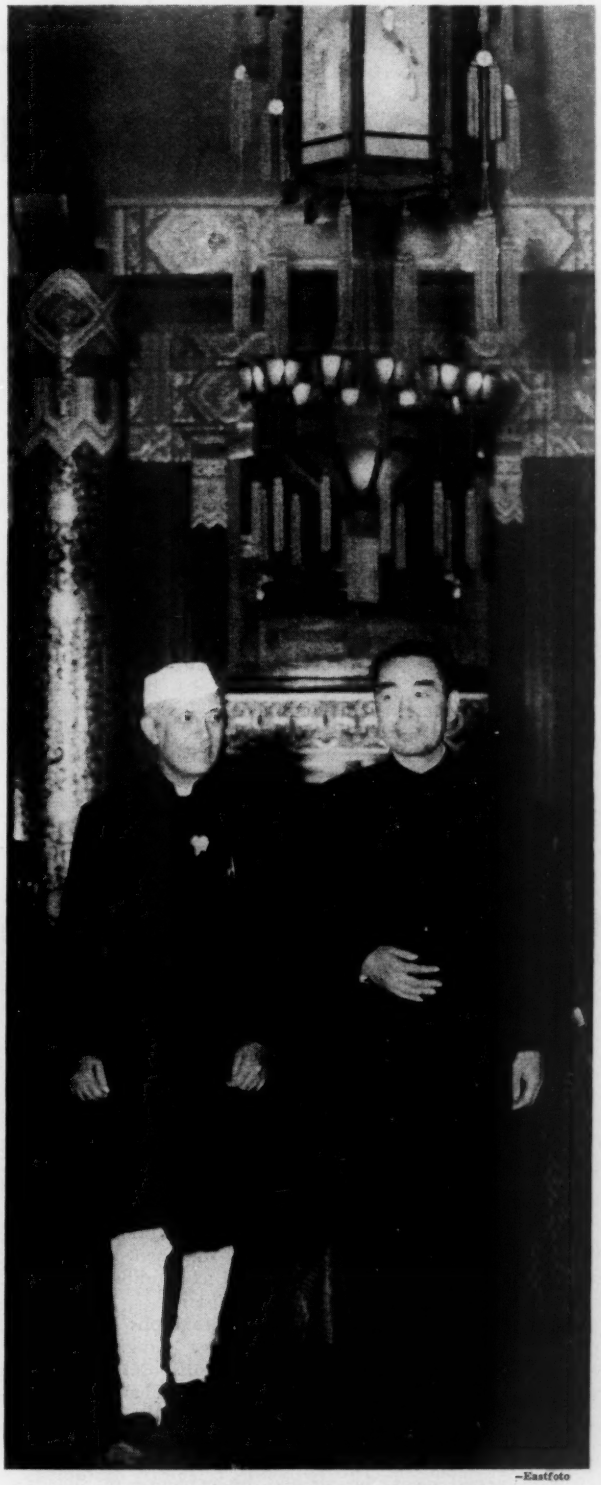
We didn't seek world leadership. You don't get it by seeking it. World leadership comes to a nation, if it comes at all, because of the superb and supreme heroism of its people, because of their devotion to duty, private and public, with a tireless energy to bring it about.

Above everything else, it comes to a nation when it is great enough and big enough and strong enough, when mighty impulses are running through the world, to rise to the challenge of stirring times.

So it came to us. Would we pass it up? Can we pass it up? Future generations would hold us responsible and rightly responsible for failure to grasp the high responsibilities resting upon us.

The road which we are traveling may be long and hard and thorny. Indeed, it is hard and long and thorny. But it is worthwhile, my friends, to travel along the highway that can lead us, and will lead us, if we keep our courage and our faith, finally there—to a world in which the normal things of mankind and of human life may be again enjoyed and appreciated.

I thank you.



—Eastfoto

INDIA'S NEHRU, RED CHINA'S CHOU

Senator George says of Nehru: "He stands very definitely for something in the Far East," and of Chou: "The things he saw... have opened his mind"

IS U.S. GETTING READY TO BYPASS CHIANG KAI-SHEK?

U. S. terms for talks with Red China, as set by President Eisenhower and Secretary of State John Foster Dulles—

- **Formosa cease-fire has to come first.**
- **Talks can start without Nationalist China sitting in—but U. S. will make no deal behind Chiang Kai-shek's back.**

That's the Administration blueprint. Does it set up a second "Munich" in Asia?

The Senate Republican Leader, William F. Knowland, warns that it does.

In their own words, this is what Mr. Dulles, the President and Senator Knowland have to say about dealing with Red China.

MR. DULLES EXPLAINS U. S. POLICY ON TALKS

Following are extracts from the transcript of a news conference by Secretary of State John Foster Dulles on April 26, 1955:

Q: Mr. Secretary, would you agree with Senator George [chairman of the Senate Foreign Relations Committee] that the United States should sit down and talk with Red China even though Nationalist China might not be present?

Secretary Dulles: That depends on what we talk about and whether there is evidence that such talks would be held in good faith on both sides. We are not going to talk about the interests of the Republic of China behind its back.

Q: Mr. Secretary, I believe you said you would try to find out if the Communists are sincere. What steps do you have in mind to do that?

Secretary Dulles: There are inquiries that we can make through friendly governments to find out what the Communists have in mind. For example, the statement as made by [Red Chinese Premier] Chou En-lai the last day at Bandung is somewhat cryptic, in that he said in substance that no conference should deny the sovereign right of the People's Republic to "liberate" Taiwan [Formosa]. If that means that the Communists are not prepared to talk about a cease-fire in the area—if they are not willing to give up the achievement of their ambitions through force—then obviously there would be no reason, that I can see, to talk with them.

Q: Mr. Secretary, in the light of what you said this morning, are we right in assuming that the conditions, or what seem to be conditions in the Saturday statement of the State Department, are not regarded by you as conditions prior to discussion with the Chinese Communists?

Secretary Dulles: There are two paragraphs in the State Department release, as I recall. The first paragraph said in substance that we would not discuss a disposal of the area in the absence of the Chinese Nationalists. That stands as a precondition. We are not going to deal with the rights of the Chinese Nationalists, and their claims, in their absence.

Now, the other paragraph mentions certain things which it said would clear the air and be evidence of sincerity. Those are not stated as conditions precedent. It said that it would be helpful if the Chinese Communists would release our fliers, etc. Those things were not stated as conditions, and were never intended to be conditions. They are very much like what the President and I often said in relation to the rulers of the Soviet Union—that it would be very helpful evidence of their sincerity if they would do certain things such as signing the Austrian Treaty. That was one of the things mentioned two years ago by the President in his "chance for peace" address. Nevertheless, that was never regarded as an indispensable prerequisite to talking with the Soviet Union. Actually, before any Austrian treaty, I did meet with the Soviet Union at Berlin.

° ° °

Q: Mr. Secretary, would official talks, as proposed by the Chinese Communists, be tantamount to a semirecognition of the Red Government?

Secretary Dulles: No, we have made that perfectly clear when we talked to them before. Remember that it would be nothing new for us to talk with the Chinese Communists. We negotiated the armistice in Korea with the Chinese Communists. We had some discussions with the Chinese Communists at Geneva. We made it perfectly clear on both occasions—in fact, it was said explicitly in the Berlin resolution which convoked the Geneva Conference—that the fact that we met together would not involve diplomatic recognition. Of course that would also be explicit in any further talks we had.

Q: Mr. Secretary, would you be willing to undertake direct negotiation with the Chinese Communists, providing they agreed to participation of Nationalist China, or would you prefer that they be held under the auspices of the United Nations?

Secretary Dulles: We believe it to be preferable that negotiations should be held under the auspices of the United Nations, and I do not give up hope that they might be held under those auspices. I read last night, the first time I had a chance to do so, the final communiqué of the Bandung conference. What impressed me, as I read through it, was the extent to which that communiqué talks about the United Nations. Almost every paragraph brings in the United Nations and the various activities of the United Nations. Since that communiqué was acceptable to the Chinese Communists, perhaps they do not have such a repugnance to the United Nations as seemed to be the case when last January they were invited by the United Nations to have discussions.

Q: Mr. Secretary, are you planning to take any steps to revive the United Nations effort in this matter?

. . . Dulles: "Cannot settle matters under threat of a gun"

Secretary Dulles: I doubt whether it is useful to revive the United Nations effort at this particular juncture without preliminaries to find out if it would be apt to succeed.

Q: Mr. Secretary, do we definitely plan to make these inquiries through friendly governments—I think you said we might?

Secretary Dulles: I said we might because these matters all require a certain amount of deliberation. What was said at Bandung is coming in gradually—some I only got this morning, in fact, from some of the friendly governments. Therefore, we have not had an opportunity yet to formulate anything so definite that I could speak in the past tense, as of something already decided.

Q: Mr. Secretary, do you attach any significance to the fact that the Chinese Communists proposed bilateral negotiations with us and that the Russians not long ago proposed a 10-power conference to discuss the same matter, or the Formosa issue?

Secretary Dulles: I noticed that fact and I thought it had a certain significance.

Q: Which would you prefer?

Secretary Dulles: Well, I found quite unacceptable the Soviet proposal for a 10-power conference with the composition suggested and with the omission of the Chinese Nationalists from that group. Much depends on what it is you are going to discuss, the subject matter of the conference. The agenda, so to speak, itself operates to determine to a considerable extent who it is that ought to be there. So far, we are very much in the dark as to what might be discussed.

Q: Mr. Secretary, does that mean you would not rule out bilateral talks? You would not rule it out?

Secretary Dulles: No.

Q: Mr. Secretary, you started to say you would attach some significance to this and then you did not say what significance you would attach—

Secretary Dulles: It tends to confirm the fact that in this area the Chinese Communists exercise, I think, a measure of independence. I think that their basic policies are undoubtedly co-ordinated with the Soviet Union and that the party discipline is exerted in both countries along fundamental lines. But certainly, as respects details, the application of agreed principles, there is a far greater measure of independence exercised by the Chinese Communists than is the case with reference to the satellite countries of Europe, for example.

Q: Mr. Secretary, in the Chou En-lai proposal he spoke not only of the specific Formosa problem but of the general Far East problem. Is it your view that our position is that we should settle the Formosan problem before we get into a larger discussion with Communist China, or is it possible to have a larger discussion in which Formosa can be a part of it?

Secretary Dulles: The first thing, it seems to me, that requires to be determined is whether we must prepare for war in that area or whether there is apt to be a cease-fire in the area. One cannot very well settle matters under the threat of a gun. So far there has been nothing but war threats in the area. There has been and there is still continuing a very large build-up, particularly of Chinese Communist air capabilities, in the Formosa Straits area. There has been until quite recently a very violent propaganda campaign to the effect that they were going to take Formosa by force and that the islands, such as Tachen, were useful to carry out their program of force. As I say, you do not negotiate—at least, the United States does not negotiate—with a pistol aimed at its head.

The first thing is to find out whether there is a possibility of a cease-fire in the area. That is a matter which can be discussed perhaps bilaterally, or at the United Nations, or possibly under other circumstances.

But I regard a cease-fire as the indispensable prerequisite to anything further. When you get into further matters, then the interests of the Chinese Nationalists would naturally come to play a very large part.

Q: Mr. Secretary, have the Nationalist Chinese accepted the concept of a cease-fire? Are they prepared to accept a cease-fire in that area?

Secretary Dulles: They have indicated opposition to a cease-fire in the area, and in that respect our views do not wholly coincide. At the time when New Zealand put this matter on the agenda of the Security Council, there was, as I recall, a statement issued by the Chinese Nationalists indicating they did not favor a cease-fire in the area.

What Senator George Said About Talking With Red China

Should Chiang Kai-shek's Nationalist Government be represented at any talks between the U. S. and Communist China? This is what Senator Walter F. George (Dem.), of Georgia, chairman of the Senate Foreign Relations Committee, told reporters:

On April 25—"All rights of both parties could be reserved at any conference that could be arranged. With those rights reserved, I think it would be advantageous to have preliminary talks with the Communists to learn if it is possible to make some approach to a peaceful settlement."

On April 26—"The highly important thing is a *de facto* cease-fire [around Formosa] and a willingness to discuss things with Chou En-lai—not only Formosa but other areas in the Far East. . . .

"Of course, there could be no decisions made that would in any way prejudice the Nationalist Government as to its claims."

Q: Mr. Secretary, you said that after discussing the cease-fire, in other matters the interests of the Chinese Nationalists would play a part. Do I understand correctly from what you said that the presence of the Chinese Nationalists would not be indispensable for the discussion of a cease-fire?

Secretary Dulles: Not as far as concerns a cease-fire which involved the possible interests of the United States, which has undertaken to react to an attack against Formosa. If we could get assurances there was to be no attack against Formosa, we would accept those.

Q: Mr. Secretary, could I ask one question please? It has been suggested that the move by the Chinese Communists—by Chou En-lai at Bandung—did not come as a complete surprise but, in fact, you had some information, or at least expectations of it, that it figured in your discussions with the President in Augusta and it may perhaps have played some part in the mission of Assistant Secretary of State [Walter S.] Robertson and Admiral [Arthur W.] Radford at Formosa.

Secretary Dulles: I would say this: It is no secret that we have hoped that the Bandung Conference would result in a more peaceful attitude on the part of the Chinese Communists. I have sometimes said that I felt that a great deal would depend, as far as the future is concerned, on whether

. . . Dulles: "U. S. has hoped for Formosa cease-fire"

the Chinese Communists came away from Bandung feeling that they had a green light to go ahead and take Formosa by force, or whether they felt that to do so would antagonize the good will of the free Asian countries, which they were seeking.

It is that thought which influenced us as far back as the Bangkok Conference. There, you may recall, was introduced a resolution of greeting to the Bandung Conference and an expression at that time of the hope that the Bandung Conference would set in motion forces for peace. After I was at Augusta with the President, you may recall that I said then that the President hailed the Bandung Conference and called on it to "exert a practical influence for peace where peace is now in grave jeopardy." We have all along believed that if the Chinese Communists would get in contact with the opinion of the free peoples, the free nations of Asia, they would realize much more fully than they have so far that their policy of relying upon force, the policy to which I alluded in the opening statement, was a policy which it was not in their best interests to follow.

I don't think that there occurred any moral or spiritual conversion on the part of the Chinese Communists. But I do think that there may have been a realization of the fact that a real peacefulness, instead of just talk about peace while carrying on war, was from their standpoint the best policy. If that has happened it is something which we can be very glad about.

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Q: I just wanted further clarification of my question as to whether these considerations played a part in the mission of Admiral Radford and Secretary Robertson in Formosa.

Secretary Dulles: They played a part, although I would not say a decisive part.

Q: Mr. Secretary, how much are you able to tell us this morning about the mission of Admiral Radford and Secretary Robertson?

Secretary Dulles: Very little, other than to say that the situation in that area has been precarious. We did not know whether it would take a turn for the better or the worse as a result of the Bandung Conference. I have referred already to the build-up that is proceeding on the China mainland, which has very distinct military implications, some of which in turn have political implications.

In view of that, it seemed useful to have another high-level talk, and to have Assistant Secretary of State Robertson and Admiral Radford canvass the political and military aspects of the situation in the Formosa Straits in the light of new developments which had occurred. It was a general, over-all review of the factors, political and military, and it seemed useful to carry that on in a personal, direct way at a high level, such as has been done, rather than depend upon cable communication which in these matters is not always satisfactory.

Q: Mr. Secretary, could you persuade them to be a little more friendly to the idea of a cease-fire?

Secretary Dulles: I can't add to what I have said except to say this: Secretary Robertson and Admiral Radford did not go out there with the idea of exerting any coercive pressures upon the Chinese Nationalists. They went over to sit down together as allies, as partners, to discuss the situation that is developing. I must say frankly that I do not yet know fully today what the outcome of their discussions has been.

Q: You would like to have the Nationalists be more receptive to the idea of a cease-fire?

Secretary Dulles: There has been no secret of the fact that the United States has hoped for a cease-fire in the area.

Statement by Mr. Dulles: "New Ground for Hope"

Following is the full text of a statement which Mr. Dulles read at the beginning of his news conference on April 26:

I feel that developments of the last 10 days may, in retrospect, seem of decisive importance both in Europe and in Asia.

The Bandung Conference, as we had hoped, seems to have exerted a restraint on the Chinese Communists. I had always felt that it would be salutary if the Chinese Communists were confronted with the opinion of the free nations of Asia. That opinion was powerfully expressed in favor of peace and against direct and indirect aggression. There seems now a chance that the Communist Chinese may be deterred from pursuing the course of violence which has characterized their action in relation to Korea, to Tibet, to Indo-China, and, more recently, in relation to the Taiwan Straits.

The Chinese Communists found no backing for their announced program of seizing Taiwan by force. On the contrary, they felt it useful in the last hours of the Bandung Conference to propose to negotiate a peaceful settlement. Whether or not that was a sincere proposal remains to be seen. Perhaps the Chinese Communists were merely playing a propaganda game. But we intend to try to find out. In doing so we shall not, of course, depart from the path of fidelity and honor toward our ally, the Republic of China.

In Europe, the most significant development is the apparent willingness of the Soviet Union to liberate Austria and to withdraw its troops of occupation which have now been in Austria for over ten years.

We still do not know whether the Soviet Union is sincere in its proposal or whether there are as yet undisclosed conditions. However, again we intend to find out.

At Moscow, in 1943, the Soviet Union joined in promising a "free and independent Austria." If the Soviet Union is now sincere, there will be a victory for basic principles of justice. If such principles finally prevail in relation to Austria, there is no reason to doubt that they may also prevail in relation to other parts of Europe, so long as we are steadfast in our adherence to them.

I do not minimize the difficulties ahead. The road ahead is long and there may be, there almost surely will be, disappointments and setbacks. But recent developments seem to give new ground for hope. Also they justify holding the position of strong dedication to principle, which alone can bring about the results which we seek.

. . . Dulles: "We shall not merely sit around and wait"

The President made that perfectly clear in his message to the Congress. That was last January, when he spoke of what we then thought was the most hopeful route of action before the United Nations to bring about a cease-fire and the acceptance of a principle of the United Nations that nations should renounce force to accomplish their objectives.

There has been some difference of viewpoint between the Chinese Nationalists and ourselves with respect to that matter, but I am not in a position to say to what extent that was discussed at Taipei [on Formosa] or what the result was, because I haven't heard.

Q: Mr. Secretary, do I understand you correctly that it would be possible for us to accept a declaration from the Chinese Communists as to their willingness to agree to a cease-fire without participation of the Chinese Nationalists in any such declaration?

Secretary Dulles: I think the United States would welcome an assurance of the abandonment of force by the Chinese Communists in whatever way it came.

Q: Should it be made a public statement?

Secretary Dulles: I think it should be public, for unless it was made public we would not have the adequate sanction of the weight of public opinion behind it.

Q: Mr. Secretary, can you get it down to this: Do we consider it our turn now to get in touch with the Chinese Communists, or do we consider that we must hear more from the Chinese Communists about this peace conference that Chou En-lai originally proposed?

Secretary Dulles: I don't know about this question of whose "turn" it is. However, I would say this: When the issues are as grave as those that confront us in the Formosa area, we are not disposed to stand upon protocol. A proposal has been made which may or may not be sincere, which may or may not have any substance to it.

We believe that the circumstances under which it was made are apt to give it a greater degree of credibility than, perhaps, if it had been made under other circumstances. It was made to and in the presence of a very large group of other countries, made to them first privately and then it was made publicly.Therefore, a statement made under those conditions carries greater weight than if, for example, it had been a pure propaganda statement issued by Peiping Radio sometime.

Now, since a statement was made under those circumstances, we are disposed to try to probe it further. As to the order of events, if we should get a further clarification which would come spontaneously from the Chinese Communists, that would be well and good. But we shall not merely sit around and wait on that. We may probe the thing ourselves to find out if it has any substance.

As I say, there was an ambiguous phrase about their sovereign right to "liberate" Formosa which could not be any way impaired. Now, I have said previously that we would not expect the parties to this struggle, whether the Chinese Nationalists or the Chinese Communists, to renounce their ambitions.

We don't expect that to be done any more than we expect that to happen in the case of Germany or Korea or Vietnam. But even though they retain their ambitions, retain their claims, they might renounce the use of force to satisfy their claims and their ambitions. Now, I don't know whether what Chou En-lai said was intended to be responsive to what I had previously said on that phase of the matter or not. That is one of the things which I think deserves further exploration.

Q: Can you tell us what are the mechanics, what you are doing to find out, what is happening as far as our Government is concerned? Mohammed Ali, the Pakistan Premier, this morning reported he had a conversation with Chou and that Chou En-lai told him the door was still open a crack. Also, Chou En-lai told him he felt there was a possibility of successful renegotiation, or implied that. He also said Chou En-lai made to him what he regarded as a reasonable proposition for the settlement of the present crisis. He didn't give the details. Have you asked Mohammed Ali to tell you what the details are or asked him to give the reaction of the U. S. to this conversation? What are we doing? That is what I want to know.

Secretary Dulles: I thought I had made clear, in answer to a prior question, that we have not yet done anything; that the information which is prerequisite to sober, intelligent action is only beginning to come in. Only a few minutes ago did we receive word through the Pakistan Embassy of what you refer to, and we have not yet collected all the relevant data. Until we have all the relevant data, we are not going to go off doing things.

MR. EISENHOWER BACKS UP MR. DULLES

At his press conference on April 27, President Eisenhower clarified the Administration's position on talks with Red China. Extracts from the transcript of the press conference follow, with direct quotation of the President authorized by the White House:

Marvin L. Arrowsmith, *Associated Press:* Mr. President, between last Saturday and yesterday, this Government seems to have changed its mind some about insisting that Nationalist China participate in any discussions between the United States and Red China concerning the Formosa area, at least with respect to a cease-fire.

Can you tell us why the change, if you regard it as a change?

The President: Well, I think the change is far more apparent than real.

Last Saturday it was stated we were not going to talk about the affairs of Nationalist China except with them present.

I believe that Mr. Dulles made this point clear also at his own press conference, saying we would not discuss the affairs of the Chinese Nationalists behind their back, but that in—as a test of good intent, if the Chi-Coms [Chinese Communists] wanted to talk merely about cease-fire, we would be glad to meet with them and talk with them, but there would be no conferring about the affairs of the Chinese Nationalists.

So I think that the—one statement may have erred in not being as complete as it should have been, but I don't believe it was a reversal of attitude.

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David P. Sentner, *Hearst Newspapers:* Mr. President, do your remarks . . . on Red China mean that any discussion with Communist China will be limited to cease-fire discussions, or possibly the release of the American prisoners?

The President: Well, you are correct in making the observation. Anything that doesn't affect the Chinese Nationalists—and there seems to be an opportunity for us to further the easing of tensions, the advancement of world peace, and

. . . Knowland: "Red leopard has not changed its spots"

certainly getting back our prisoners—of course, we talk about it. I merely meant to say that when it comes to talking about the affairs that involve our ally bound to us by treaty, we are not going to talk behind their backs. That was the one caveat I put on the answer.

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Laurence H. Burd, *Chicago Tribune:* Mr. President, do we have any assurance or any indication that Nationalist China would agree to a cease-fire if Red China did, and was that one of the topics of the Admiral Radford-Robertson mission in Formosa?

The President: You open up a subject that every time a man tries to make an answer he runs the risk of one word giving a false impression.

But, so far as I know, the Chinese Nationalists are not firing now except in defense of the territories they are now occupying.

They are not attacking the mainland, so far as I know, except in retaliation.

Consequently, I believe that a cease-fire on their side would be purely academic.

They are firing only in defense, as I understand, but that was not any special item that had come up, so I can't give you any more accurate answer than that one.

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Mrs. May Craig, *Maine papers:* Mr. President, are you saying that a cease-fire is not of interest to the Nationalist Chinese, or that you will talk with them separately about a cease-fire?

The President: Well, Mrs. Craig, I didn't say that it was of no interest to them. I did say they are not fighting at this moment.

Therefore, a cease-fire is purely on the Chi-Coms' part.

Therefore, we can talk to them about the Chi-Coms, talk to the Chi-Coms about their own firing without damaging the interests of the Chinese Nationalists; that is all.

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James B. Reston, *New York Times:* In the statement that was issued, sir, on Saturday, the State Department said:

"In the Formosa region we have an ally in the free Republic of China and of course the United States would insist on free China participating as an equal in any discussions concerning the area."

The President: That might be a touch of an overstatement, because I have agreed with what Mr. Dulles said. I agreed with it before he said it.

I believe it is perfectly legitimate for us to talk to the Chi-Coms about stopping firing.

Now, if we overstated the case Saturday, well, that was to that extent an error in terminology.

SENATOR KNOWLAND OPPOSES ADMINISTRATION VIEW

On April 27, Senator William F. Knowland, of California, Senate Republican Leader, issued the following statement:

According to reports of the press conferences of yesterday and today, it is now intended to negotiate directly with the Chinese Communists.

There are many persons at home and abroad who believe the Communists are now merely following a long-established technique to use negotiations (as at Panmunjom) for the purpose of building up their striking power.

Their minimum price will be a "down payment" of the offshore island groups of Quemoy and Matsu. Their ultimate price, which they will hope to get by negotiation or through the United Nations or by armed conflict, will be Formosa and the Pescadores.

They don't need a conference to bring about a cease-fire. All they need is to stop shooting and building up their aggressive forces in that area of the Formosa Straits.

In the long history of the Soviet Union or the shorter history of Communist China there is nothing to demonstrate that the Communist pledged word is worth the paper it is written on.

The bones of the repudiated Soviet treaties and agreements with Latvia, Lithuania, Estonia, Poland, Hungary, Rumania, Bulgaria, Czechoslovakia, Finland, the Republic of China and the Litvinov Compact with the United States are there for all to see.

More recently, the violations of the Korean and Geneva armistice agreements by Communist China is an additional warning signal against placing our faith or the survival of our friends and allies on the cynical, smiling façade of a brutal Chou En-lai.

I for one do not believe the Communist leopard has changed its spots. Their objective has been, is, and will continue to be the destruction of human freedom.

To me the State Department's statement of last Saturday seemed consistent with our long-established policy of expecting deeds rather than words as a prelude to another conference. It did not on Saturday, and it does not now, seem unreasonable that prior to such a conference American prisoners should be released in accordance with the terms of the Korean armistice. Nor did it seem unreasonable that the Communists place in effect in the area "an immediate cease-fire."

Unless there is some formula regarding which I have not been advised, and which is difficult for me to now envision, I find it hard to comprehend how we could enter into direct negotiations with Communist China without the interests of the Republic of China being deeply involved.

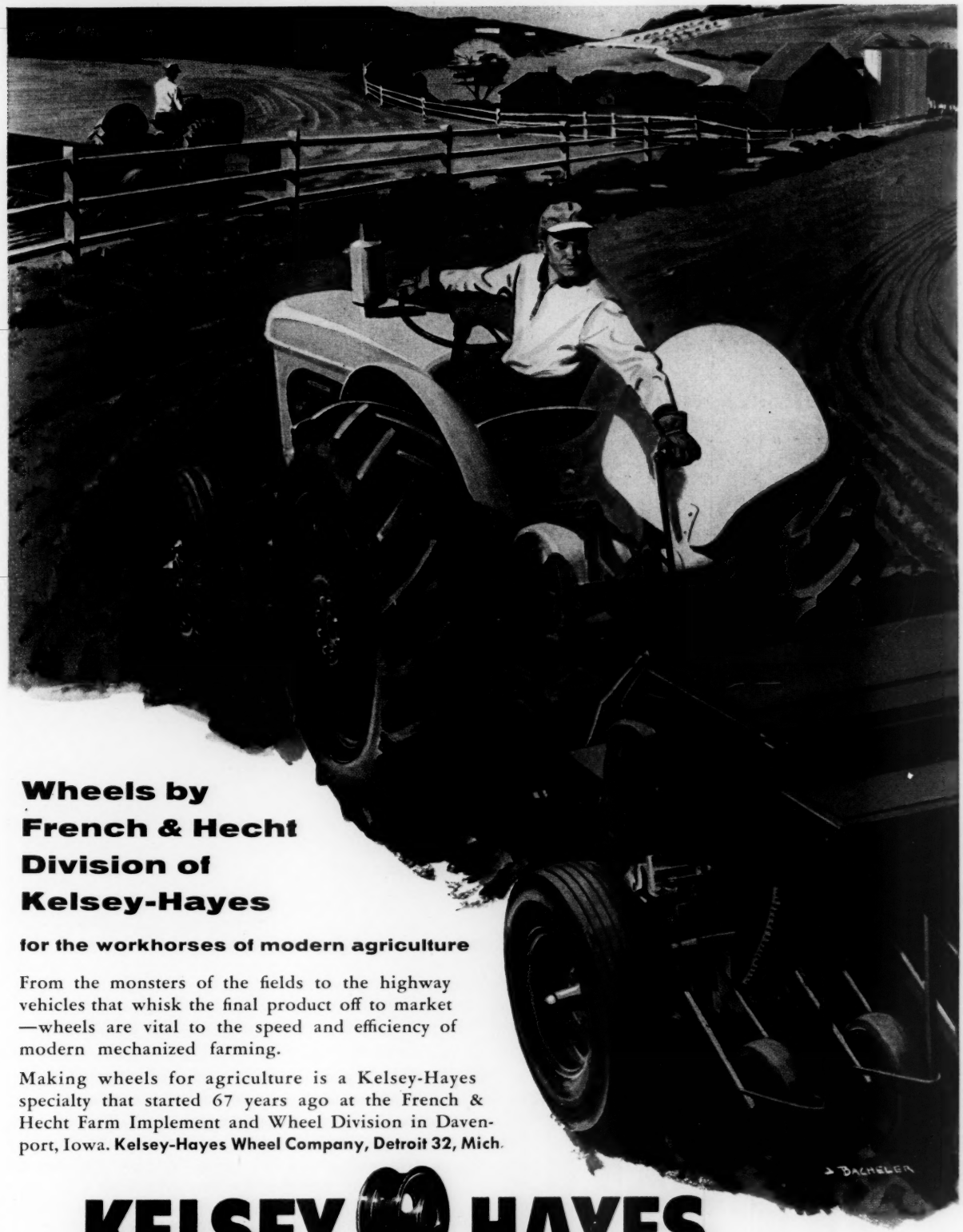
History teaches us that prior experience of great powers negotiating in the absence of small allies has not reflected great credit upon the large nations and has been disastrous to the small ones. For reference, I refer to Munich and its impact upon Czechoslovakia and to Yalta with its impact upon Poland and the Republic of China.

Some unanswered questions are:

- Will a cease-fire cover the offshore islands as well as Formosa and the Pescadores?
- If it does cover the offshore islands, how can it be negotiated without affecting the Republic of China? If it does not, it still vitally—and perhaps fatally—concerns that nation.
- Will a cease-fire permit Communist access to the harbors of Foochow and Amoy, and would the Republic of China be expected to sit quietly while watching the build-up of a large invasion fleet in the harbors as well as air power in the adjacent mainland area?

That we are at one of the great turning points of history I would not deny. Whether it is a turn for the better or for the worse only time will tell.

The President's news-conference comments on peace—page 25. Step-by-step developments that opened the way for talks between the U. S. and Red China—page 98.



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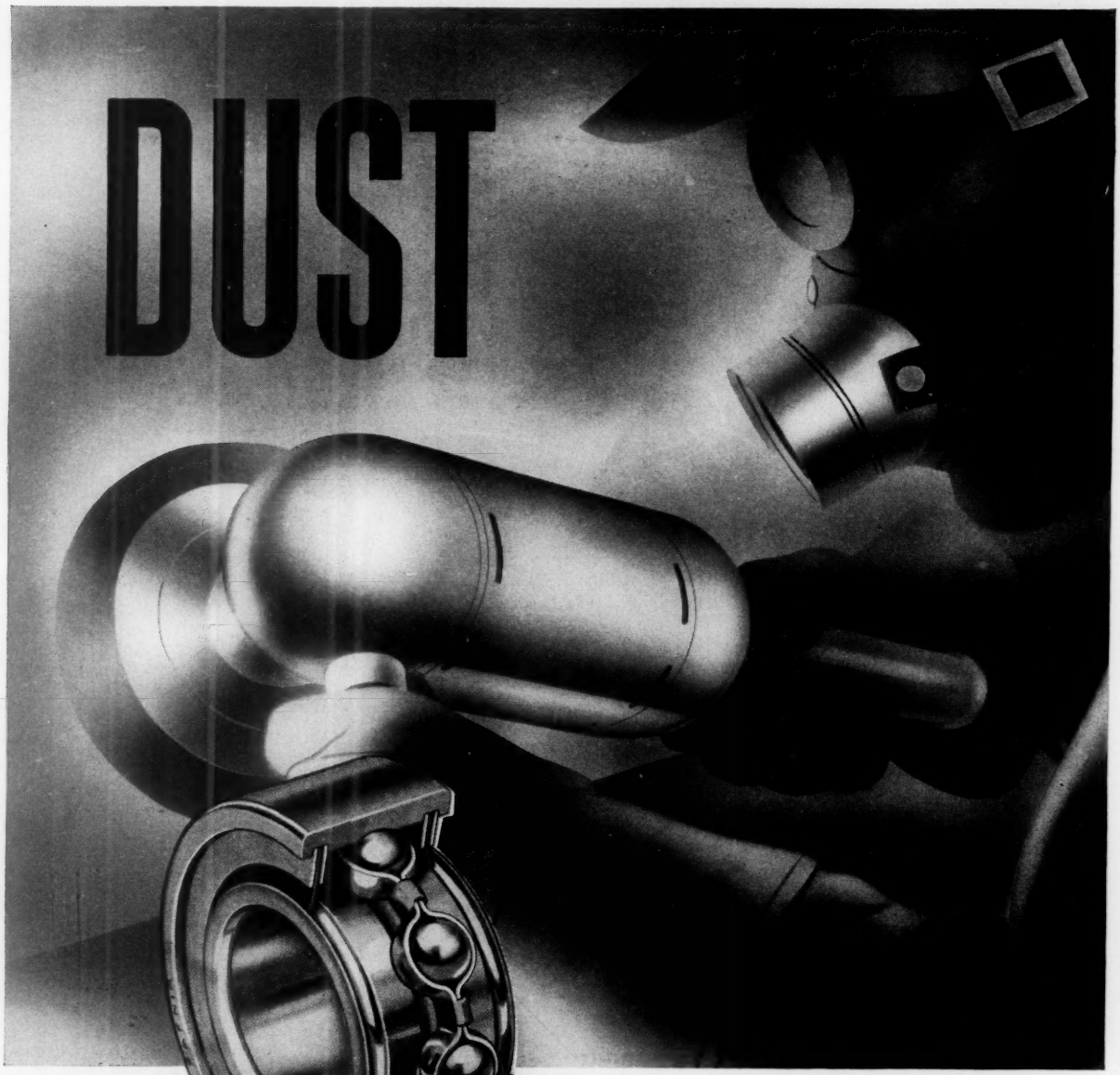

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A way now open to ease the tax burden on an individual's estate is pointed up by a recent decision of the U.S. Tax Court.

ESTATE TAXES. The new tax law allows a person to take out an insurance policy on his life, give all ownership rights in it to, say, a wife or son, and not have the proceeds count as part of his estate--even though he continues to pay the premiums after giving the policy away. Thus cash can be provided for paying the federal tax on estates; heirs need not have to sell part of the property in order to raise funds to meet the tax. This provision also can mean important tax savings. That's because under the old law the policy's proceeds would have added to the size of the estate and so made the tax larger.

INSURANCE GIFTS. Giving an insurance policy away, however, may involve a gift tax on the policy's value at the time of the transfer. Also, the law says a gift made within three years of an individual's death can be held to have been made with the deliberate intent of reducing the size of the estate subject to tax. When this is the situation--and facts in each case would decide--the gift must be included in the estate for tax purposes. That would be true of the proceeds of an insurance policy despite the special provision of the new tax law.

Now the Tax Court hands down a decision in a case where the wife, instead of the husband, took out a policy on his life. The Court held that the husband did not own the policy, so there could not have been a gift "in contemplation of death." Thus the insurance proceeds need not be included in his estate.

Suppose the husband pays the premiums on a policy his wife takes out on his life and, within three years, he dies. Then the "contemplation of death" rule might hold for the premiums, and the amount he paid be included in his estate.

PRIZES. If you win a sales contest held by your employer and the prize is a trip, or merchandise for your wife, the value of the prize still counts as income on which you are taxable. So rules the Internal Revenue Service.

BUYING OF HOMES. The Veterans' Administration and the Federal Housing Administration are clamping down on a practice that made it possible to buy a home without the purchaser's having to put any money down. Involved are deals where the home could be bought with no down payment and in which the Government-insured loan also covered closing costs. Now the VA and FHA say the buyer must put up at least the cost of title clearance, survey and other closing fees.

(over)

SOCIAL SECURITY. This from a reader: In eliminating periods when my earnings were lowest, so that my average monthly wage before retirement will provide a larger Social Security benefit, can I ignore any part of a year I want?

The answer: No. The drop-out rule lets you skip over as many as four--and sometimes as many as five--years of low or no earnings in figuring the Government old-age pension to which you may be entitled. But you must drop out whole years, not just selected months or quarters.

LOANS FOR REPAIRS. The Federal Housing Administration, in an official memo, calls attention to a point you should note about FHA Title I loans. These are FHA-insured loans for making repairs or alterations to your home; often they are available at more favorable terms than are conventional loans.

Recently there has been increasing interest in insurance policies that would pay off the loan in event of the borrower's death, destruction of the property, or in other situations. Now the FHA makes plain that the lending agency cannot require you to take out such a policy as a condition for getting the loan; also that, if you agree to such insurance, the amount you pay for it has to be shown separately--not lumped into your monthly loan payment.

MEAT PURCHASING. When should you buy meats and poultry so you can stock your freezer at the cheapest price? Usually, but not always, when supplies are most abundant, the Department of Agriculture says. Best bet, it adds--especially for city dwellers--is to watch for special sales. Those can come any time; however, here are months when meats, as a rule, are seasonally most plentiful:

Beef--Lower-grade cuts in November and December. Choice grades in February and March, though unusual supply this year may stretch abundance to summer.

Lamb--Most lambs spring-born, hit market in October, November and December.

Pork--Twice-yearly peaks in three-month periods around May and December.

Turkeys--Heaviest market flow in November and December.

Chickens--Hens in August and September; fryers in June and July, though month-to-month supply fluctuation not especially great.

Sea food--Supply peak June and July, but prices fairly steady year around.

PICKPOCKETS. Seattle police say it is usually a woman's own fault if her pocketbook gets picked. Most such thefts, they add, are by nonprofessionals tempted by people's carelessness.

Leaving purses on counters while looking at merchandise, or reading menus, is an open invitation to loss, they suggest. Other pointers: Purses with two handles are less likely to be rifled than those with one. Put big bills in the bottom of a pocketbook, not in a coin purse. Keep toward your body that side of the purse that opens. Don't carry more money than needed.

WEEDS IN LAWNS. Getting rid of wild onion and garlic in lawns is easier with a trick suggested by Department of Agriculture weed-control specialists. These plants have a waxy coating, which helps them shed such killing chemicals as 2,4-D. So the Department experts suggest you put on a rubber glove to protect your hand, then over that don a cotton glove. Dip the gloved hand into the weed killer and rub the garlic and onion tops firmly enough to break the waxy coating. Then the chemical will be absorbed in the plant's system. You can use a stronger solution this way than advisable for a general lawn spraying.

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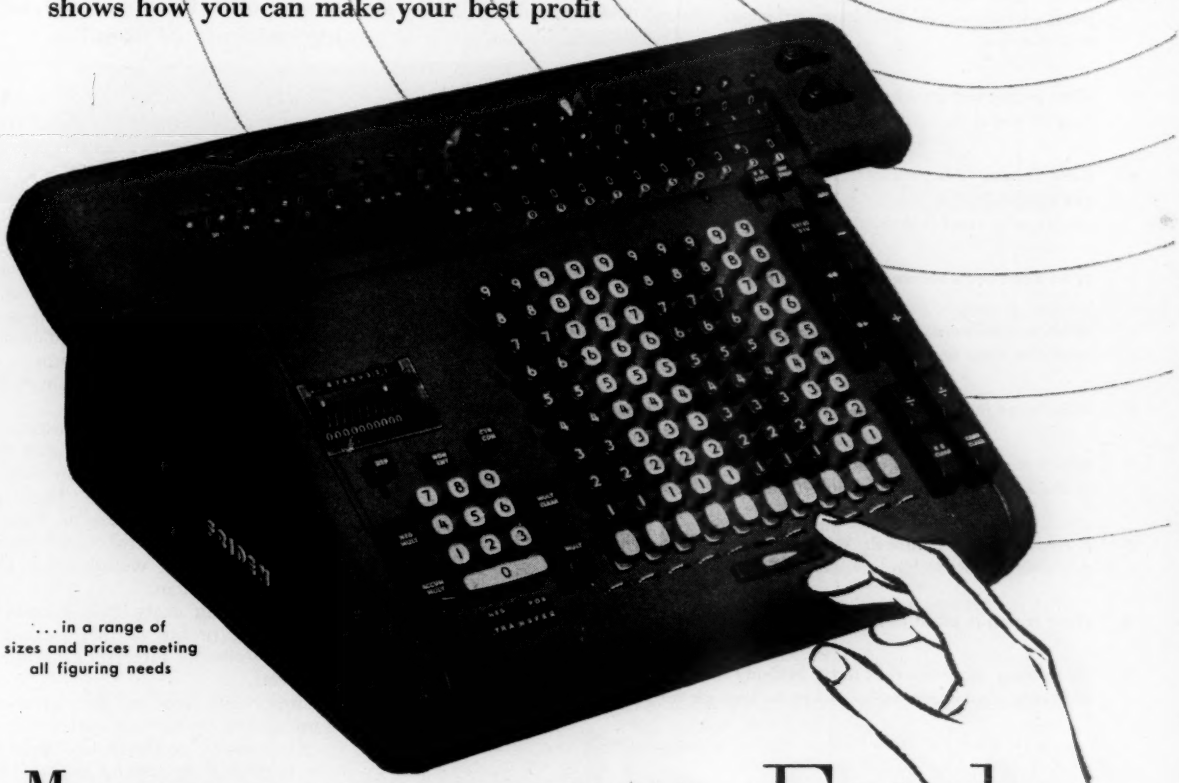

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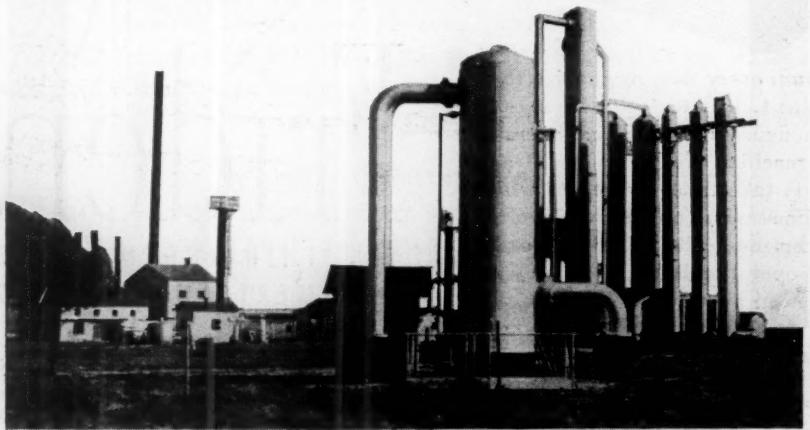
Special Report

(This article represents the result of an extensive research on a problem of outstanding importance.)

AN INDUSTRY WITH A BOOM AND PROBLEM

THE FACTS ABOUT NATURAL GAS

- ✻ ***Where gas is produced:*** In 28 States. But 87 per cent comes from 7 States — Mississippi, Louisiana, Arkansas, Texas, Oklahoma, Kansas, New Mexico.
- ✻ ***Who produces it:*** About 8,100 companies; 8 large oil companies produce 28 per cent.
- ✻ ***How it goes to market:*** About half is sold to industrial users in the gas fields. Most of the remainder is sold to more than 100 pipeline companies who send it through some 400,000 miles of pipelines.
- ✻ ***Who sells it to consumers:*** Local public utilities.
- ✻ ***Where it is used:*** All over the country, though not much in New England, the deep Southeast or Pacific Northwest.
- ✻ ***Who uses it:*** 23.7 million families, 2 million businesses and institutions.
- ✻ ***What it costs:*** At the gas well, average of 10 cents per 1,000 cubic feet; in the home, average of about 90 cents per 1,000.
- ✻ ***How much is produced:*** 9.4 trillion cubic feet, which brings in about a billion dollars to landowners and producers.
- ✻ ***How much is used in homes:*** About 2 trillion cubic feet a year.
- ✻ ***How long supplies will last:*** Nobody knows. Proven reserves, at current rate of use, are estimated to be enough for 22.3 years.



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Source: Federal Power Commission, Bureau of Mines, American Gas Association, Standard Oil Company (Indiana)

A big row is going on in Congress over control of natural-gas prices.

There is talk of higher gas bills, possible shortages.

This article presents the facts on the complex argument, affecting millions of families.

Congress is being asked to decide whether the Federal Government should control the prices received by producers of natural gas, a fuel that is being used by nearly half the nation's families.

Argument over this decision has given rise to two warnings, aimed at consumers. One warning is that the cost of heating homes and of cooking with gas will go up, unless prices are regulated. The other warning is that consumers some day will be plagued with shortages of gas, if prices are regulated.

There are many other interests at stake. Gas producers, including some of the big oil companies, fear a limit on their profits if control is effective. Big-city gas companies fear a squeeze on their profits if there is no control. Government officials say control would be a terrible headache for them.

Thus, living costs, future comfort of consumers, profits of many companies, and Government interests all seem to be involved.

Important facts on the industry are summarized on the accompanying chart.

How much control? Gas prices now are regulated in several ways. The big fight is over how much control.

Local utilities, which sell gas to homeowners and others, have their rates set by local and State commissions.

Pipeline companies, which carry the gas from the gas fields to the local utilities, have their charges regulated by the Federal Power Commission.

Gas producers say they would accept some tightening of this phase of control, so that pipelines could not, in all cases, get their rates raised whenever they pay more for gas. But the gas producers shy away from FPC control over their own pricing. This is what the fight is about.

(Continued on page 94)

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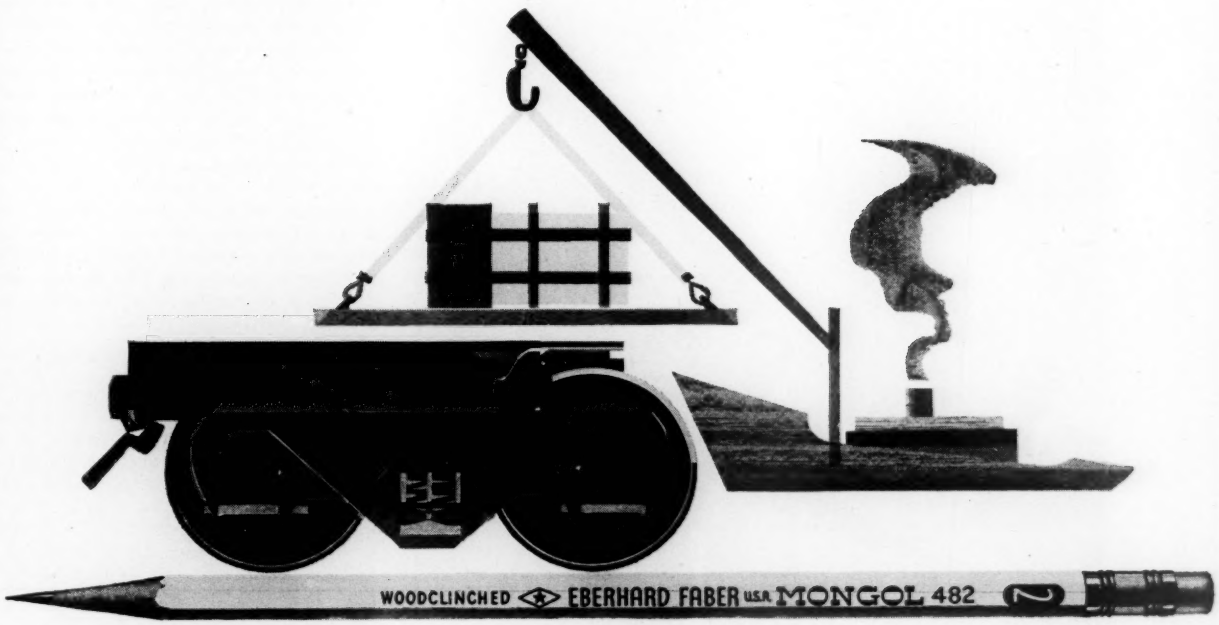

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stumble over our name.

But just so you'll know,
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and DAUCH is pronounced "dowk."
And any way you say it,
it stands for quality in
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U.S. natural-gas producers total 8,100 . . .

At present there is control over these producer prices, in theory, but not in full force. Approval of the Federal Power Commission is required, as a result of a Supreme Court decision, on prices of gas going into interstate pipelines, from the time it is sold by the producer to the time it gets to the local utility. In practice, the Commission has delayed as much price fixing as possible, while Congress debates the matter.

Charge of monopoly. Basically, the move for control, taken up by some city officials and political groups, is built on a charge of monopoly. This is, of course, the basis of control over pipelines and utilities. Advocates of control over the producers say the latter have a monopoly too.

Industry figures indicate the big oil companies are a great factor in the business. The eight largest producers of gas are oil companies and account for 28 per cent of the natural gas produced in the U. S., according to the Standard Oil Company (Indiana).

On the other hand, there is a host of smaller producers also bidding for pipeline contracts. The total number of producers is put at 8,100. Most pipelines buy from a number of these producers, sometimes from several areas.

Big pipelines are always shopping around for new gas supplies.

A unique case led to the present argument. One major pipeline contracted to get nearly all its gas from one supplier, a big oil company. A State commission charged this was monopoly and said the FPC should regulate the price the pipeline had to pay the oil company. The Supreme Court agreed.

That led to the issue in Congress today, whether to continue this control or pass a bill exempting gas producers.

Arguments for control. City officials point to rising gas rates as a reason for control. They say their citizens face higher and higher costs, unless increases are headed off at the gas well, where the supply system starts.

Historically, natural gas has been a cheap fuel. That is why many millions have turned to it since World War II.

Government figures show that the price of natural gas for home use declined from 1939 to 1948, when prices of other goods, generally, were doubling. In that period, local utilities were cutting rates, as they shifted from more expensive manufactured gas to cheaper natural gas.

However, an increase in gas prices was even then in the making. The pipeline companies were paying higher prices.

. . . Home gas bills up 38 per cent since '48

The Bureau of Mines says that the average price paid in the gas fields went from 4.9 cents per 1,000 cubic feet in 1939 to 6.5 cents in 1948.

Since then the producers' price has gone still higher—to about 10 cents, according to latest estimates. So there has been a 54 per cent price rise in the gas fields in the last six years.

Gas producers blame that on inflation. It became more expensive to drill gas wells, they point out.

Now, the consumer's price is rising too. The average cost of gas for home use in 1948 was 65.3 cents per 1,000 cubic feet, the Bureau of Mines says: the average went to 86.5 cents in 1953 and probably is close to 90 cents today. This is an increase of more than 38 per cent since 1948.

–USN&WR Photo

COOKING WITH GAS

. . . the price is going up

Thus, the price picture has been reversed. Gas prices now are rising, when other prices have leveled off, and there is pressure for more control.

City officials can point to pipelines which are asking the FPC to approve higher rates for them, on the ground that they are having to pay more for gas in the field. A main line serving the Middle Atlantic region is making this claim.

If its rate rises, local utilities, serving many customers, will have a basis for asking for higher rates.

Built-in increases. Some big utilities have another complaint. They say contracts between pipelines and gas companies make future increases almost cer-

(Continued on page 96)

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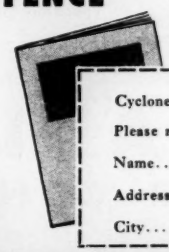

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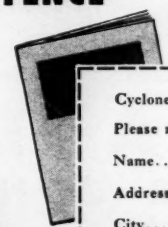

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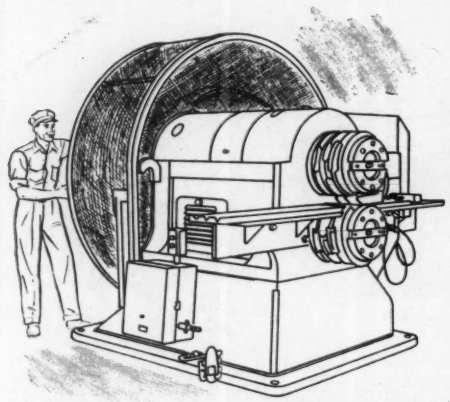

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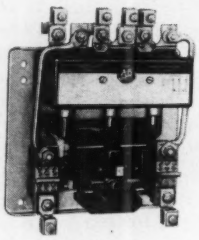

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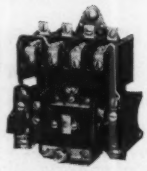

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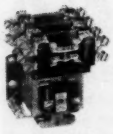

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Gas price to rise more, utilities say . . .

tain. These are contracts that provide that prices on all gas in a locality will go up if one new contract is signed at an increased price.

This means that one new well can touch off higher prices for gas coming out of a lot of older wells. Such "escalator" clauses raise the value of gas to all producers in an area without any basis in cost, the utilities complain.

The producers' defense is that gas under the ground is not isolated between wells; gas drawn from one well at a high price may come from the same deposit that flows through other wells at a low price. Some oilmen ask: Why should there be a difference? Also, the producers want protection from inflation; their contracts often run for 20 years.

They want to know who would sell anything for 20 years ahead at an absolutely fixed price.

Arguments against controls. A 4-to-1 majority of the Federal Power Commission is against control over gas-field prices.

Control, officials feel, would be very difficult. There would be trouble passing on rates for thousands of producers. Cost of production would be hard to figure, yet necessary in setting "reasonable" rates.

Gas often is drawn from the same well with oil. How much cost to assign to oil, how much to gas, would be a difficult accounting problem.

Costs also differ widely among wells. One lucky producer may hit gas in sinking a single well; his cost is low. Another may sink a string of wells before getting gas; his cost is high.

Some gas is relatively dry when it comes from the ground and needs little treatment before it goes into the pipelines. Other gas requires more drying.

As a result, rates would have to be set in great variety and detail. Also, the FPC majority fears control would have a bad effect on supplies.

Gas producers come forth with a whole basketful of arguments against control. They claim—

- Field prices are only a small part of what the consumer pays. In New England, where rates are highest, the price paid the producer represents only about 3 per cent of the consumer's gas bill. In California, where gas is fairly cheap, the producer's price accounts for about 19 per cent of the consumer's bill.
- Most of the increase in the consumer's bill since 1948 is the cost of distribution, not in the few cents' rise of field prices.
- Control will limit profits on sales to pipelines. To escape control, gas pro-

. . . No gas shortage for at least 20 years

ducers will sell more gas directly to manufacturers within their States and send less into interstate commerce.

- Control will discourage people from seeking new gas deposits.
- Gas will become scarcer as a result, the producers conclude.

Supply good for years. The danger of shortage is not imminent, however, even the producers concede.

Pipelines, when first approved by the FPC, must have 20-year contracts for gas supplies. Thus, consumers who turned to natural gas in recent years are assured against a shortage for the better part of two decades. Any pinch would show up first in refusal to take on new customers.

New supplies are being discovered all the time. In 1954, when the U. S. used 9.4 trillion cubic feet of gas, producers tapped 9.7 trillion cubic feet of new reserves. And 1954 was a bad year for drilling.

Producers, in spite of the threat of control, drilled more wells, but they hit less gas.

Over the past five years, new discoveries have averaged 14.8 trillion cubic feet a year. Discoveries also are being made in Canada, and a pipeline to bring Canadian gas into Washington State has been approved.

Thus, a shortage could develop only gradually—if at all.

Demand still rising. Neither price rise nor fear of shortage seems to deter consumers.

Since 1946, the number of families using natural gas has more than doubled; so has the amount of gas used in the home.

The American Gas Association predicts that 1.2 million additional homes will be heated with gas by the end of this year.

Pipelines are being extended into places where gas has not gone before: Southern Maine, Northern Georgia, Northern Florida, Washington, Oregon, Idaho.

Continued popularity of natural gas stems, as before, from a price advantage. In spite of increases, it looks like a cheap fuel to many consumers.

What Congress will do. Against that background, odds slightly favor action in Congress to eliminate any direct control over the producers of natural gas. Powerful leaders of both parties favor this.

White House officials have indicated such legislation will be approved, provided there is some provision, such as tighter control over pipelines, to keep price increases from being passed along to the consumer automatically.

"Then I'm going to New Jersey and open a little factory and make millions of 'em!"

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PUBLIC SERVICE
...AT THE CROSSROADS OF THE EAST

From Bandung to Washington:

WHAT ALL THE PEACE TALK IS ABOUT—PLAY BY PLAY

From the record comes this story of how the way was opened for a meeting between the U. S. and Red China.

It started at Bandung, Indonesia, in a blast of angry debate over Communism.

Soon China's Chou En-lai was sending out feelers for peace talks with the U. S.

Next Chou seemed to change his mind. Then he changed it back again.

The Premiers of Ceylon, of Communist China, of Pakistan, and the U. S. State Department, all played a part in the preliminaries.

The following texts of what was said at each stage give you the full chronology.

An Asian Neighbor Jumps On Red China

It was a surprise attack by Ceylon that started the newest peace moves in Asia.

The Prime Minister of Ceylon—a country not generally identified with the West—arose at the Asian-African Conference in Bandung, Indonesia, and angrily denounced both Communist China and Soviet Russia.

The Prime Minister, Sir John Kotelawala, called Communism a new-type of colonialism. He challenged Communist China's Premier Chou En-lai to show that the Reds mean what they say about peace, and declared that "this reassuring gesture from Peiping has not been forthcoming."

Here are extracts from the Kotelawala speech of April 21, 1955:

All of us here, I take it, are against colonialism. But let us be equally unanimous and equally positive in declaring to the world that we are unanimous in our opposition to all forms of colonialism and in our determination to take decisive and expeditious action to wipe out all forms of colonialism throughout the entire world.

You may say that colonialism is a term generally understood and capable of only one meaning. I cannot agree. Colonialism takes many forms. The first and most obvious form is Western colonialism.

There is another form of colonialism, however, about which many of us represented here are perhaps less clear in our minds and to which some of us would perhaps not agree to apply to the term "colonialism" at all.

I think, for example, of those satellite states under Communist domination in Central and Eastern Europe—of Hungary, Rumania, Bulgaria, Albania, Czechoslovakia, Latvia, Lithuania, Estonia and Poland. And if we are united in our opposition to colonialism, should it not be our duty openly to declare our opposition to Soviet colonialism, as much as to Western imperialism? . . .

Is not his [Red Chinese Premier Chou En-lai's] talk of peace strangely combined with the activities of local Communist parties throughout the Afro-Asian region and with the fact that the Cominform—the international symbol of subversion—continues to flourish and be active in this area?

. . . Our friends from China might want to clarify the doubts many of us entertain on the subject.

It has been the experience of most countries in this part of the world that the local Communist parties, wherever they exist, regard themselves as agents of the great Communist powers of Russia and China. They make no bones about it—why should we? Their loyalty is to Moscow and Peiping; and their role in Afro-Asian affairs has been to create as much disruption as possible.

In my country, for example, the local Communist Party has been so bold as to declare openly that, if there were a war in which Ceylon found herself on one side and Russia and China on the other, the Communists in Ceylon would do everything in their power, including fighting, to promote the victory of Russia and China and the defeat of Ceylon.

If the Communist powers are in earnest about their professions of desire for peaceful co-existence, how should they react to such a declaration? One would expect them surely to exert every effort to convince us of their good faith by disbanding the Communist Party in Ceylon—and indeed in every country of this region—and direct the activities of the Communists into useful, peaceful and constructive channels.

I am aware that the stock answer to this is that the Communist parties concerned are autonomous bodies which do not take their orders from any foreign power. If this is so, then China would have nothing to lose and would gain immeasurably with all of us in prestige by publicly and formally calling upon the local Communist groups throughout Asia and Africa to disband. This reassuring gesture from Peiping has not been forthcoming, and I for one am perturbed about it.

Communist Chou En-lai Opens Door to Peace Talks

Communist Chou En-lai was visibly angered at this unexpected attack from Ceylon. He was aware that other Asian delegates felt as Sir John did about Communist China, though none had spoken so bluntly.

Chou decided it was time to act. On April 23 he issued this statement to newsmen at Bandung:

The Chinese people are friendly to the American people. The Chinese people do not want to have a war with the

. . . Chou: "Willing to enter into negotiations"

United States of America. The Chinese Government is willing to sit down and enter into negotiations with the United States Government to discuss the question of relaxing tension in the Taiwan [Formosa] area.

U.S. Sees the Door Open— Takes a Cautious Look Inside

In Washington, the U. S. State Department got word that same day that Chou had offered to negotiate, and promptly issued this comment:

The Department of State has received press reports concerning the statement of Chou En-lai at the Bandung Conference. The United States always welcomes any efforts, if sincere, to bring peace to the world. In the Formosa region we have an ally in the free Republic of China and of course the United States would insist on free China participating as an equal in any discussions concerning the area.

If Communist China is sincere there are a number of obvious steps it could take to clear the air considerably and give evidence before the world of its good intentions. One of these would be to place in effect in the area an immediate cease-fire. It could also immediately release the American airmen and others whom it unjustly holds. Another could be the acceptance of the outstanding invitation by the Security Council of the United Nations to participate in discussions to end hostilities in the Formosa region.

Communist China's Offer: Something for Everybody

Later that day, while the U. S. and its allies were pondering Chou's brief remark about talking things over, the Premier of Red China issued a lengthy statement at the Bandung Conference. In it he expressed his willingness "to settle international disputes by peaceful means."

From the text of Chou's statement of April 23 before the political committee of the Asian-African Conference:

Yesterday and today I have heard the views of many delegations and I would like now to put forth proposals of the delegation of the Peoples' Republic of China.

The present world situation is indeed tense, but we have not lost hope of peace.

As a matter of fact, there are more and more people who stand for peace.

Twenty-nine countries of Asia and Africa came here to this Conference and have called for peace.

This proves that more than half the world's population which we represent here wants peace and unity.

This manifestation proves our desire receives support from the majority of nations and peoples of the world.

It further proves that it is possible to stop the danger of war.

Therefore, in this Conference when we discuss the question of promotion of world peace and co-operation we should take the following stand: We should leave aside our different ideologies, different state systems and the international obligations which we have assumed by joining this side or that side.

We should instead settle all questions which may arise against us on the basis of common peace and co-operation.

Some of the delegates have expressed the view the term "peaceful coexistence" is a term used by the Communists.

We can then change the term.

We should not let ourselves have any misunderstanding merely on this question.

The delegate from Lebanon, when he mentioned this question, went far into the question of ideology.

If we follow that example, our discussions will go on interminably and will prove fruitless ultimately.

Let us use the expression which was used in the preamble of the United Nations Charter.

In the United Nations Charter the expression used reads "Live together in peace."

We can seek peace and co-operation in accordance with the model of the United Nations Charter.

Secondly, if we talk about co-operation then we, the 29 countries assembled here, should be united in promoting international co-operation and in seeking collective peace.

Such a collective peace is not for the purpose of opposing any countries outside Asia and Africa.

We are merely starting with Asian-African countries in promoting peace and in opposing war.

As far as China is concerned, we are a country led by the Chinese Communist Party.

We are against formation of ever more antagonistic military alliances in the world because they heighten the crisis of war.

For instance, we are against NATO [the North Atlantic Treaty Organization], the Manila Treaty and other similar treaties.

However, if such antagonistic military treaties continue in the world, then we would be forced to find some countries to enter into and sign a similar, antagonistic military alliance in order to safeguard and protect ourselves against aggression.

It is for this reason basically that we are against antagonistic military alliances and, now that we have assembled here to discuss problems of common cause and concern and the question of peace, we should abandon the idea of such alliances because they are to nobody's good and also it is to no one's good to publicize these treaties.

Let us first of all have unity amongst us.

Day before yesterday after lunch I paid a visit to the Prime Minister of Pakistan [Mohammed Ali].

He told me that, although Pakistan was a party to a military treaty, Pakistan was not against China.

Pakistan had no fear China would permit aggression against her.

As a result of that, we achieved a mutual understanding although we are still against military treaties.

The Prime Minister of Pakistan further assured that if the United States should take aggressive action under the military treaty or if the United States launches global war, Pakistan would not be involved in it.

He said Pakistan and India would not be involved in it just as they were not involved in the Korean war.

I am grateful to him for this explanation because through these explanations we achieve a mutual understanding of each other on collective peace and co-operation.

I am sure the Prime Minister of Pakistan will have no objections to these views of mine.

Further I would like to avoid any misunderstanding.

I would like to give an explanation or qualification on behalf of the Prime Minister of Pakistan.

He believes the Manila Treaty is defensive in character just as General Romulo [Carlos P. Romulo, delegate of the Philippines] said, although I do not believe in the explanation he gave.

As for so-called Communist expansion and Communist

. . . Chou: "We will not allow any outside interference"

subversive activities, the delegates here have been quite courteous.

They have only mentioned the Soviet Union without referring to China, but China is also a country which owns a Communist Party.

So we feel also involved in it by implication.

I would here submit that we should adopt some principles which not only China but all of us here can follow.

We on our part do not want to do anything for the expansion of Communist activities outside our own country.

However, if we do not establish any common principles what are we going to do?

When the Prime Minister of China visited India and Burma they put forward these five principles. They accepted these five principles and made commitments on them.

We have done this together with the Indian Premier [Jawaharlal Nehru] to alleviate doubts which many countries have as regards China.

Ever since we entered into these five principles, there are more and more countries who are in favor of them.

* * *

There have been some references to some international organizations. The delegate from Iraq mentioned the Cominform. But there are a great number of other international organizations in the world. We are ourselves displeased with those other organizations. We are displeased, for instance with the network of the United States intelligence agency because we have been the victims of that agency. Unfortunately we cannot raise this question at this Conference because, although these organizations might have some connection with some of our Asian-African countries, we cannot reach any agreement at this Conference on these questions. Besides, this is outside our agenda. This should not be raised at this Conference.

On what basis are we going into all that? The points on which we can all agree are no longer five. They are seven. I hope we can all agree. With this basis of seven points, we on our part would like to give our assurances here that we will carry it out. China is a big country and, besides, China is a country led by the Chinese Communist Party. So some people feel that we will not carry them out. So we give you our assurances and we hope that other delegations will do likewise.

The first point. We respect each other's sovereignty and territorial integrity. We will adhere to this principle. Our relations with Burma have proved that we have respected the sovereignty of Burma.

As to respect of territorial integrity, it is stated that China will not and should not have any demand for territory. We have common borders with four countries. With some of these countries we have not yet finally fixed our border line and we are ready to do so with our neighboring countries. But before doing so, we are willing to maintain the present situation by acknowledging that those parts of our border are parts which are uninterrupted. We are ready to restrain our Government and people from crossing even one step across our border. If such things should happen, we would like to admit our mistake.

As to the determination of common borders which we are going to undertake with our neighboring countries, we shall use only peaceful means and shall not permit any other means or methods. In any case, we shall not change this.

The second point is abstention from aggression and threats against each other. We shall also abide by this principle. There is fear of China on the part of our neighbors. There is Thailand and the Philippines. Since we lack mutual understanding, it is quite natural that they have this fear, but during our contacts this time, we have made assurances to Prince Wan of Thailand and General Romulo of the Philippines that we will not make any aggression or direct threats against Thailand or the Philippines.

We also told the Prince of Thailand that, even before border lines are established between our countries, we welcome a delegation from Thailand to visit our inland province and see if we have any aggressive designs against others. We have told Prime Minister U Nu [of Burma] that we would very much like to pay a visit with him to that border region, but unfortunately we have no time now. We will see next time.

There is a notion between China and the Philippines that we have no common border. In spite of that, we also welcome a delegation from the Philippines. We welcome the delegation from the Philippines, before the establishment of our border lines, to visit especially our coastal region; especially Fukien and Kwantung provinces, and to see for themselves whether we are carrying out any activities for purposes of directing threats against the Philippines.

The third point. Abstinence from interference or intervention in the internal affairs of one another. This is a question with which the Indo-China states are most concerned. During the time of the Geneva Conference we have made assurances to Cambodia and Laos. We have also told Mr. Eden, the then Foreign Secretary, and Mr. Molotov [Russian Foreign Minister] about our assurances. Later we also told Prime Minister Nehru and Prime Minister U Nu about our assurances. This time again we make our assurances to the delegations of Cambodia and Laos.

We earnestly hope that these two countries will become peace-loving countries like India and Burma. We have no intention whatsoever to intercede or intervene in the internal affairs of these two neighboring states of ours. This is our policy toward all countries. We are merely mentioning these two countries as an example.

The fourth point. Recognition of the equality of races. This point needs no explanation: We have always regarded that different races are equal. New China has not practiced any discrimination.

The fifth point. Recognition of the equality of all nations, large and small. We attach special importance to this question because we are a big nation. It is easy for big nations to disregard and not have enough respect for small nations. This is the result of tradition, and it is an important point. We have stressed this point among our people, that they should not have the ideals and ideologies of big nations.

We are constantly examining our behavior toward small nations. If any delegation here finds that he [Chou] as representative of China, does not respect now any of the countries which are represented here, please bring this point out. We will be glad to accept criticism and rectify mistakes.

The sixth point. Respect for the rights of the people of all countries to choose freely a way of life, as well as political and economic systems. We think that this is acceptable to all. The Chinese people have chosen a way of life as well as political and economic systems in the new China. We will not allow any outside interference.

We on our part respect the way of life as well as the political and economic systems chosen by other people. For instance, we respect the way of life and political and economic systems chosen by the American people. We have also told the delegation of Japan that we respect the choice made by the Japanese people. When the Japanese people chose the Yoshida Government, we recognized that Government as representing the Japanese people. Now, the Japanese have

. . . Ali: "Chou believes the door is still open"

chosen the Hatoyama Government and we recognize that Government as representative of the Japanese people. The Chinese Prime Minister said the same thing to all the [Japanese] delegations when they visited China.

Point seven. Abstention from doing damage to each other. Our relations should be mutually beneficial. For instance in our trade, it must be equally and mutually beneficial; neither side should ask for privileges or attach conditions.

China can give assurances in its dealings with the countries represented here and other countries not represented here—when entering into peaceful co-operation with all countries, when having economic and cultural intercourse with those countries—she will not ask for privileges or special conditions. We will go on an equal basis.

It is our belief that with these seven points as a basis it is possible to have peace and co-operation among us. It is possible to safeguard peace and, first of all, start with peace among us. In fact, in these seven points we have said in our draft proposal that we Asian-African countries advocate settlement of international disputes by peaceful means and support all measures that are being taken or may be taken to eliminate international tension and promote the growth of peace. In our view that is acceptable.

In this connection we would like to express our gratitude to the five Colombo powers and to many other countries for the efforts they have made in facilitating the restoration of peace in Indo-China.

Likewise, we would like to thank some of the countries represented here, especially India, in the efforts they have made for facilitating and assisting achievement of an armistice in Korea. This has made it possible gradually to remove the antagonism that has appeared on that front.

As to relations between China and the United States, the Chinese people do not want to have war with the United States. We are willing to settle international disputes by peaceful means. If those of you here would like to facilitate the settlement of disputes between China and the United States by peaceful means, it would be most beneficial to the relaxation of tension in the Far East and also to the postponement and prevention of a world war.

Chou En-lai Stakes His Claim to Formosa

On April 24, however, the Chinese Communist leader seemed to pull back, so far as Formosa was concerned. Red China, he declared, was still intent on "liberating" the island held by Chiang Kai-shek and defended by the U.S. This is the full text of Chou's farewell address at Bandung:

Honorable chairman, distinguished delegates:

Our Conference has made achievements. First of all, on behalf of the Chinese delegation, I would like to thank the five Colombo powers for their initiative in sponsoring this conference; to our hosts, the President, the people and Government of the Republic of Indonesia for their warm hospitality; to the chairman of our Conference, the Prime Minister of Indonesia, for his efforts; to all the delegations for their co-operation, and to the joint secretariat of the Conference and all the personnel who have taken part in the work of the Conference for their valuable contribution.

The achievements of the Conference lie in the beginning or furtherance of understanding among the Asian and African countries, and in the achievement of agreements on some major questions. These achievements will be a great help to our common task of opposing colonialism, safeguarding world peace and furthering the friendly co-operation between us. This Conference has to a considerable extent satisfied the expectations of the peoples of Asia and Africa as well as of the world.

This Conference has also reflected the fact that our approaches to and our views on many questions are different. We have also discussed in part our differences. However, such different approaches and views did not prevent us from achieving common agreements. We have been able to make such achievements in opposing colonialism, safeguarding world peace and promoting political, economic and cultural co-operation because of the fact that we people in the Asian and African countries share the same fate and the same desires.

For the same reason, I would like to declare once again that the Chinese people extend their full sympathy and support to the struggle of the people of Algeria, Morocco and Tunisia for self-determination and independence to the struggle of the Arab people of Palestine for human right, to the struggle of the Indonesian people for the restoration of Indonesian sovereignty over West Irian [Netherlands New Guinea] and to the just struggle for national independence and the peoples' freedom waged by all the peoples of Asia and Africa to shake off colonialism.

I want to point out further that the declaration of the promotion of world peace and co-operation adopted by this Conference will help facilitate the relaxation of international tensions and, first of all, the tension in the Far East.

It is our view that the full implementation of the agreements on the restoration of peace in Indo-China should be guaranteed by the parties concerned.

As to the peaceful unification of Korea, the parties concerned should speedily seek the solution through negotiation.

China and the United States should sit down and enter into negotiation to settle the question of relaxing and eliminating the tension in the Taiwan area. However, this should not in the slightest degree affect the just demand of the Chinese people to exercise their sovereign rights in liberating Taiwan.

Finally, I hope that the contacts among the Asian and African countries and the friendly intercourse between our peoples will become more frequent from now on.

I wish all the delegates good health and bon voyage on their journey. Good-by.

Hope for a Deal Fades— Then Comes Back Strong

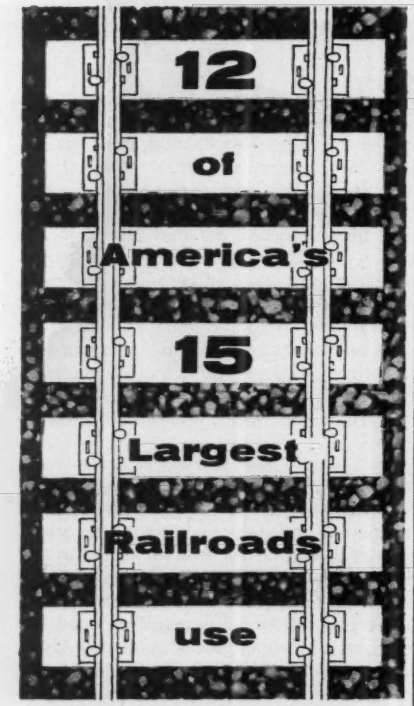
To the world it looked as though talks between the U. S. and Red China were off. That was when the Prime Minister of Pakistan, Mohammed Ali, stepped in to try to bring the two sides together.

On April 25, Mohammed Ali lunched with Chou En-lai at Bandung. After a private conversation between the two men that lasted more than two hours, the Pakistan Prime Minister told reporters this:

Premier Chou feels that the State Department's reply slammed the door partly shut and that he closed it a little more by saying that the People's Republic of China retains the right to liberate Formosa.

But he believes the door is still open—and I believe he wants to open it wider.

The President talks about peace—page 25. Official U. S. comment on peace talks—page 98.



ATLANTIC PAPERS

When America's railroads buy paper — for letterheads or office forms — they insist on their money's worth. If tests are called for, they are run. If cost comparisons are called for, they are made.

Isn't it significant, then, that 12 of the 15 *leading* railroads in America use Atlantic Papers?

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AMERICA'S LEADING BUSINESSES USE EASTERN

Atlantic

FINE BUSINESS PAPER

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We've Been Asked:

HOW SAFE ARE POLIO SHOTS

- **Reports of some cases of polio among children who have been given the Salk vaccine are causing concern among parents of other children.**
- **They want to know: What does it all mean? Should their children still take the inoculations?**

Is the new polio vaccine safe?
Officials of the U. S. Public Health Service say that it is. The Surgeon General, after reports of several cases of polio among children who had been inoculated, said he had "complete faith" in the Salk vaccine.

Are other inoculated children likely to get polio?
That is to be expected. Among the millions receiving the inoculations, some are likely to develop the disease. That does not mean, however, that the polio results from the vaccine.

What, then, is the explanation of the illness among the inoculated?
Health Service officials believe that the children stricken by polio after being inoculated probably had contracted the disease before inoculation—or before the vaccine had time to build up body protection. The vaccine is not a cure for the disease, and it takes a little while to produce immunity.

As a precautionary move, the Health Service ordered withdrawal of vaccine produced by the Cutter Laboratories, of Berkeley, Calif., which was the vaccine that had been used in the cases of the children who developed polio. A thorough test of this vaccine was ordered.

Are the shots still going ahead everywhere?
No. In some areas, authorities have postponed inoculations pending further study.

What is the best advice to parents of children getting the shots?
The Surgeon General says emphatically that these children should, where possible, continue to get the shots as planned.

Will distribution of the vaccine go on?
Yes, except for the one company whose product is being investigated. It is planned for this company to resume distribution when its vaccine is cleared.

Is the vaccine being rationed?
Not actually. Up to now, most of the output has gone to the National Foundation for Infantile Paralysis for its free program of inoculating first and second-grade school children and those who took part in last year's tests.

Who decides how it is to be distributed?
A voluntary system of allocating the vaccine among States is being set up, based partly upon each State's population under the age of 20. A national advisory committee has over-all charge of this program. State health and welfare officers and local medical societies are co-operating, particularly in deciding the age limit for those who should get priority in each State. Producers of the vaccine and druggist organizations have promised to abide by recommendations of the national committee on allocations.

Can your doctor give a shot to your child, regardless of age?
Many doctors are abiding by recommendations of their medical societies as to age priorities. But some are setting up waiting lists in the order of calls received. Actually, it's up to the individual doctor to decide what method to follow.

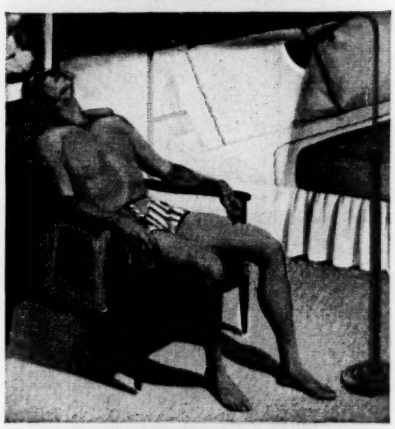
What is the supply outlook?
Unless there is a drop in demand because of recent cases of polio among inoculated children, there will not be enough vaccine for all in the immediate future. Most of the production has been going to the National Foundation. More of the output will reach commercial channels in June and enough is expected to be available by the start of July to inject 25.6 million children with the first two doses. By September 1, health officials hope there will be enough for all of the children from 1 to 9, and for 75 per cent of those up to 20.

When will enough be available for everybody who wants it?
Earlier predictions have been that there would be enough vaccine for everybody in the U. S. wanting it by start of the 1956 polio season. Manufacturers now hope that, barring some serious delay in production, there will be enough vaccine to take care of most, if not all, of those through the age of 19 by November 1 of this year. That means enough for the first two shots, with the third to come later.

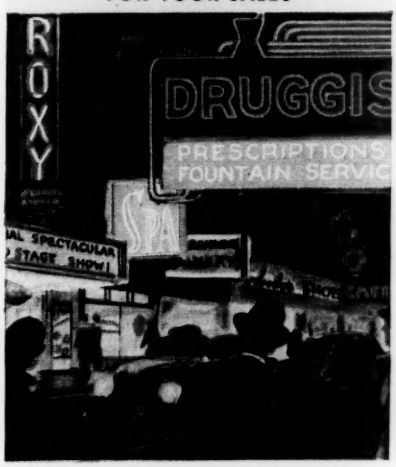
Have you noticed how much you use **ARGON** lately?

FOR YOUR HOME

FOR YOUR HEALTH



FOR YOUR SALES



Industrial gases play important parts in everyone's daily life, parts frequently unsuspected. Argon is quite typical. Did you know argon has saved *you* a lot of money? It has . . . because the makers of incandescent lamps now fill their bulbs with argon. Filaments operate at higher temperatures, are so much more efficient that experts say this one use of argon saves the American public over 100 million dollars a year in bills for electricity. But your offices and factory probably use fluorescent lights as they provide many times the illumination per dollar. Only the use of argon in fluorescent tubes made them practical realities!

Do you and your family get needed vitamins and keep that healthy tan with a modern sun lamp? That lamp *must* be filled with argon. When you have your car battery recharged, argon is working for you. The charger's rectifier bulb *must* be filled with argon. And neon signs must have a place in your life; even the smallest town has many of them. In the newest type of neon tubes, argon is used *with* neon. Someday you will fly in jet airliners. Engine parts will be made of the new wonder metal, titanium, and stainless steels . . . just as they are today for military jets. Argon is a "must" for processing and fabricating these metals.

To keep step with the growing demand for argon, the NCG supply has recently been greatly increased. Further increases will be made as the need continues to climb. If you are a user of any industrial gases: oxygen, acetylene, hydrogen, nitrogen, helium, argon, or carbon dioxide, rely on NCG . . . for able counsel and dependable supply. Your inquiries will receive prompt attention. Write today.

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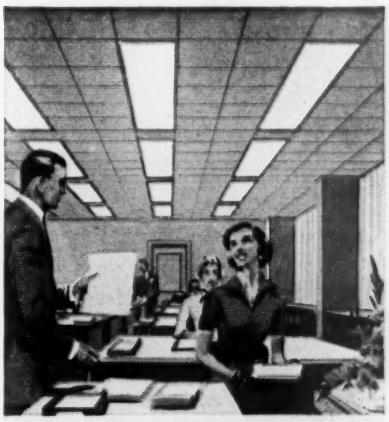
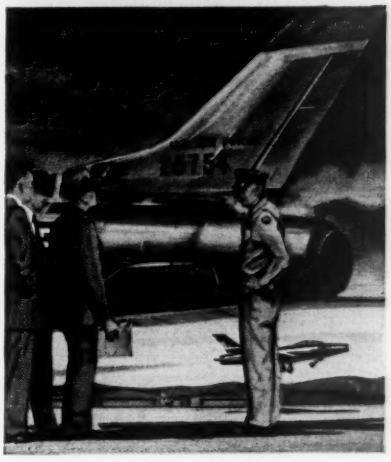
FOR YOUR WORK



FOR YOUR TRAVEL

FOR YOUR SAFETY



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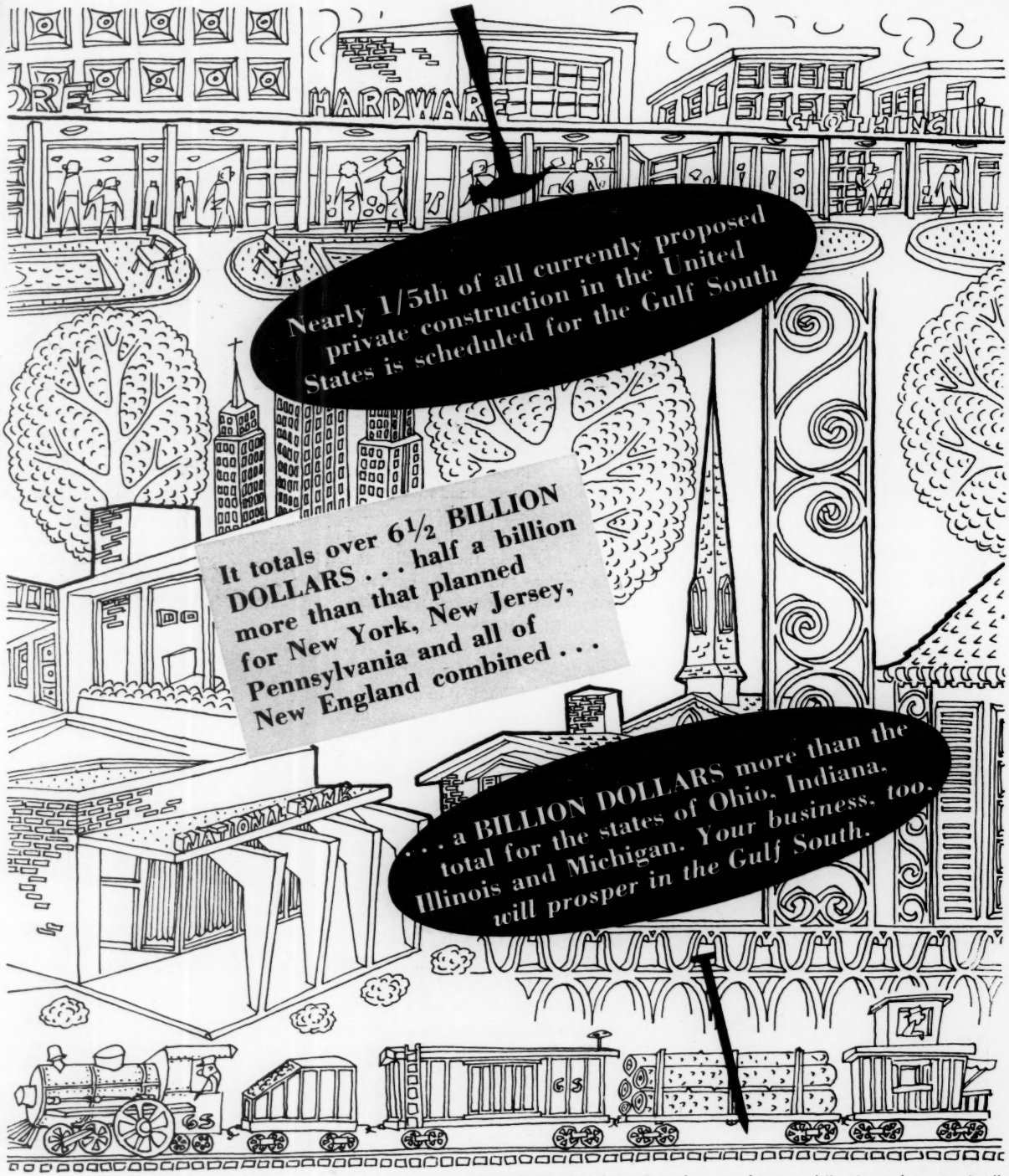
HARDWARE
Nearly 1/5th of all currently proposed private construction in the United States is scheduled for the Gulf South
It totals over 6½ BILLION DOLLARS . . . half a billion more than that planned for New York, New Jersey, Pennsylvania and all of New England combined . . .
. . . a BILLION DOLLARS more than the total for the states of Ohio, Indiana, Illinois and Michigan. Your business, too, will prosper in the Gulf South.
NATIONAL BANK
63

From Engineering News Record report of proposed "engineered construction."
Write Industrial Development Director, United Gas, Shreveport, Louisiana.

SILVER ANNIVERSARY

UNITED GAS

25 YEARS

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WHERE "ANNUAL WAGE" IS LAW

Italy's Employers Slow to Hire, Fear to Fire

U. S. employers cite Italy as an example of what happens if companies have to keep paying workers when there isn't work enough to keep them busy.

Italy has such a system, and workers there find—

Employers hesitate to hire workers. Jobs are hard to locate. Unemployment is not reduced.

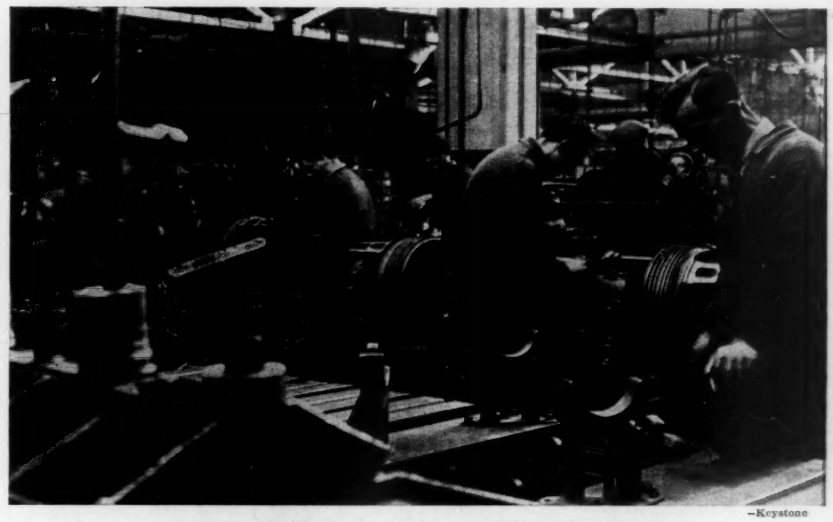
For business, the system often means high costs.

ROME

The workingman in the United States is being told by his union that the way to satisfy his yearning for a steady job with steady pay is to persuade his employer to pay him for 52 weeks a year, whether he works that much or not. He is calling this demand a "guaranteed annual wage."

In overpopulated Italy, where unemployment is a chronic problem, the workingman already has a great deal of protection against loss of his job and against a sudden cut in earning power.

Instead of enjoying a guaranteed annual wage of the type the American worker is asking, the Italian workingman is living under a law that provides him with supplementary pay when he is not working a full 40-hour week. This extra pay comes from a fund that is financed by employers and is administered by the Government.



—Keystone

FIAT IS ONE OF ITALY'S LARGEST ENTERPRISES
. . . and has paid thousands of idle workers in bad times

Case history. This Italian version of guaranteed employment is suddenly coming under study in the United States. American employers who have sized up the Italian system see points of similarity between what the Italians have and what American workers are asking. There is interest in finding out how the Italian system has affected the owners of industry and the workers they employ.

What is being found is that Italian industry is operating under a system of job rules, laws and unemployment benefits that have these effects:

- Employers are not eager to take on workers. The tendency is to keep employment frozen at the prevailing level. That's because the rules make it hard for employers to fire people, or lay them off. Hiring of new workers also is resisted because of payments that employers are required to make into various social-security funds for every person on the payroll.
- Unemployment, as a result, has shown very little change in recent years. There are about 2 million out of work.

How it works. When American employers check up on the way the Italian system operates, this is what they find:

In many Italian industries a worker forced to go on a work week shorter than the normal 40 hours is able to collect supplementary pay for at least some of the "lost" hours. If the worker gets less than 40 hours of work in the week, but more than 24 hours, he collects

(Continued on page 106)

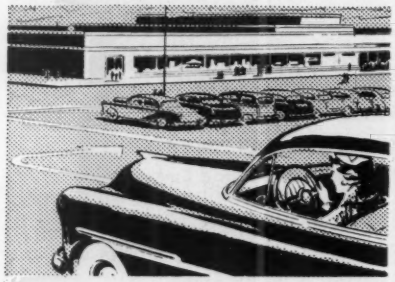
—Wide World

MAYOR LA PIRA (CENTER, GESTURING) WITH WORKERS
He once took over a foundry to keep it from closing

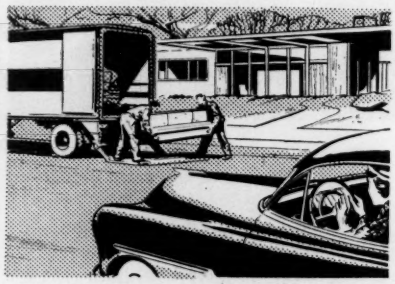
You Couldn't Do Your Job Without Trucks, Mr. Businessman . . . And Neither Could Your Wife!

THE MILKMAN COMETH. *Through thick or thin, he's always faithful, and you can give top credit to his dependable mechanical horse.*

THE CORNER SERVICE STATION'S CERTAINLY HANDY. *Ever think how all these stations would get their gasoline if it weren't for trucks?*



AND NOW FOR A LITTLE SHOPPING! *Imagine a beautiful set-up like this right out in the country! Before we had trucks this sort of thing was undreamed of!*



OH, OH! THE NEW DAVENPORT HAS ARRIVED. DIDN'T EXPECT IT SO SOON. *Trucks speed up things all along the line. Our lives would slow to a walk without them.*

"COME BOBBIE. IT'S TIME TO PICK UP DADDY!" *Daddy's plant used to be 'way down in the city. But now he's right out in the country—not far from home. Trucks made it possible!*

"SORRY I WAS A BIT LATE, DEAR. HAD A FLAT TIRE. FOR A MINUTE I THOUGHT I'D NEVER MAKE IT, BUT A TRUCK DRIVER STOPPED AND CHANGED IT FOR ME!" *They'll do it every time!*

AMERICAN TRUCKING ASSOCIATIONS

American Trucking Industry

AMERICAN TRUCKING ASSOCIATIONS • WASHINGTON 6, D. C.

IF YOU'VE GOT IT . . . A TRUCK BROUGHT IT!

Italy pays the idle at a reduced rate . . .

extra pay—at a reduced rate—for the difference between his actual working time and 40 hours. This reduced rate is two thirds of his regular rate of pay.

For example, a worker who is on the job for 28 hours during the week gets paid for the 28 hours at his regular rate. But he also collects extra compensation for 12 hours of "lost time"—at two thirds of his ordinary rate of pay. That means he collects the equivalent of 36 hours' regular pay for doing 28 hours' work that week.

This system applies also to a worker unable to get more than 24 hours' work in a week. If his schedule is 24 hours or less, he can collect extra pay for up to 16 "lost" hours, at the two-thirds rate.

Thus, if an employe works 14 hours, he gets 14 hours' pay at his full rate and 16 hours' at the two-thirds rate. This gives him slightly more than 24 hours' full pay for 14 hours' work.

Under this same system, when a worker is laid off, he receives unemployment compensation equal to 16 hours' pay at the two-thirds rate. However, he can draw this compensation for no longer than three months.

Employers pick up tab. Both the unemployment benefits and the pay for "lost" time under shorter work weeks are distributed from a nation-wide fund to which all industrial employers contribute. They pay into the fund at the rate of 1.5 per cent of each worker's wages, within certain limits.

The fund is administered by committees with authority to decide when payments should be made and when they should be refused.

In theory, the payments from the fund are to be authorized only when a factory has to reduce its working schedule suddenly, when shorter weeks could not be anticipated or prevented. Also, the rules say that payments are to be made only in cases where the short weeks are expected to be temporary.

In practice, however, it is found that in some instances these terms are interpreted rather broadly. There are sections of Government-owned industries that have been giving this compensation for years.

"Featherbedding" too. The Italian worker's "protection" goes beyond this system of benefits, American employers discover when they look into the program.

A large part of Italian industry, it is found, is owned by the Government. The Government has complete control of the railways, telegraph and radio systems, and the coal mines. It owns 95 per cent of the natural-gas industry, 80 per cent of shipbuilding, 65 per cent of

. . . Wages without work push cost out of line

iron and steel, 35 per cent of the mechanical industries and 25 per cent of electric power.

Where the Italian Government owns or controls an industry, there usually seems to be a policy of keeping workers on the payroll whether they are needed or not. The result is that production costs sometimes get out of line, but the Government makes up any deficit that occurs. Officials explain that it is another method of paying unemployment benefits, only the persons drawing the benefits stay on a factory payroll and draw the payment as wages.

In such cases, there is no guarantee of full pay for 40 hours. The idle worker

—Wide World

ITALIAN WORKERS
. . . are paid for "lost" time

may be on a short work week; sometimes may be drawing about what he would get as unemployment compensation if laid off.

This practice of keeping unnecessary workers on the payrolls has spread into private industry to some extent.

A plant owner who is about to discharge large numbers of workers, due to reduced production quotas, often is visited by the prefect of the province, who wields great influence and power. He urges the employer to keep the men on the payroll, to keep purchasing power in the area up.

A businessman explained: "You just don't say 'No' to an Italian prefect." Sometimes, where a plant owner refused to retain men he didn't need, prefects have ordered them to stop the

(Continued on page 108)

COLOR

THE BIG TEN IN COLOR LINAGE

These 50 daily newspapers published the most color linage during 1954.

NEWSPAPER	COLOR LINAGE
1. Milwaukee Journal	1,690,120
2. Chicago Tribune	1,278,304
3. New Orleans Times - Picayune & States	1,118,697
4. Dallas News	1,081,129
5. Fort Worth Star - Telegram	1,022,087
6. Los Angeles Times	973,952
7. Nashville Tennessean	965,076
8. Atlanta Journal & Constitution	931,176
9. Dallas Times - Herald	918,946
10. **THE SEATTLE TIMES**	**899,345**

11. St. Louis Post - Dispatch	845,538	32. Tulsa World	590,651
12. Denver Post	832,927	33. Fort Worth Press	588,137
13. Houston Chronicle	781,791	34. Salt Lake City Deseret News Telegram	577,948
14. Cincinnati Post	740,836	35. Grand Rapids Press	575,464
15. Omaha World Herald	714,888	36. Atlanta Constitution	574,600
16. Los Angeles Examiner	700,487	37. New Orleans Item	569,678
17. Dayton News	696,557	38. St. Paul Pioneer Press & Dispatch	566,243
18. Cleveland Press	687,685	39. Spokane Spokesman - Review	562,355
19. Miami Herald	681,680	40. Long Beach Ind. Press Telegram	559,124
20. Nashville Banner	674,195	41. Indianapolis News	558,492
21. Toledo Blade	673,173	42. Minneapolis Star Tribune	555,378
22. Cincinnati Times - Star	665,709	43. Sacramento Bee	552,619
23. Salt Lake City Tribune	662,276	44. Houston Post	531,038
24. San Jose News & Mercury News	645,894	45. Evansville Press & Courier Press	526,383
25. Indianapolis Star	638,619	46. Memphis Commercial Appeal	523,244
26. Oakland Tribune	635,372	47. Detroit News	511,921
27. San Diego Union	634,855	48. San Antonio Light	499,499
28. Washington Post & Times Herald	624,225	49. San Francisco Examiner	498,963
29. San Diego Tribune	623,153	50. Miami News	498,493
30. Cincinnati Enquirer	600,458		
31. Dayton Journal Herald	595,768		

(Media Records)

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107C

Labor Week

. . . In Italy, layoffs sometimes are forbidden

layoffs on the ground that further unemployment would "disturb the public order."

The chief official of Florence, although not a prefect, took action last February in a case of this sort. Mayor Giogio La Pira expropriated an iron foundry in his city to prevent the works from closing down and throwing employes out of work. Later, he returned the plant to private ownership.

Some slack taken up. Unions in some cases, especially in Northern Italy, have obtained agreements under which employers must consult union leaders before making layoffs. Thus, for various reasons, many industries have tended to keep surplus labor on the payrolls. As production increased in recent years the number of unused workers has decreased, and in some fields there now are no "surplus" workers on the industrial payroll.

The extra cost of this surplus labor at times has been written off as a public-relations expense—one tending to build good will among customers. This is given as a reason why Fiat, Italy's largest industrial enterprise, kept thousands of extra workers on its payroll for years after the war. It now has full employment for all of these workers because of production expansion.

Employers in Italy cite other reasons why they are reluctant to fire workers—or to hire additional workers.

Severance pay is high. By law, an employer who fires a worker is required to give him severance pay amounting to a month's wages for each year he has worked for the firm.

Also, employers report that they are unable to hire many new workers because of the numerous social-security taxes and benefits they must pay.

Some employers estimate that they are paying out in various "social-security costs" an amount equal to nearly 75 per cent of their regular payroll. This figure includes items that in the United States are called "fringe" benefits, such as paid holidays, vacations, Christmas bonuses and sick leave. It also includes taxes paid for unemployment and short-work benefits.

Italian workers have some complaints about the way the system operates. These complaints mainly come from the 2 million workers who have been laid off and cannot find new jobs because of the employer's reluctance to add to his work force, when every new worker means more social-security taxes, when a new worker may become just one more employe who cannot be fired.

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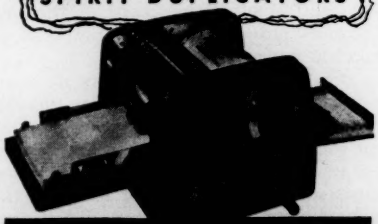

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The stock transfer books will remain open.

S. T. CROSSLAND
April 26, 1955 Vice President & Treasurer

Deadlines Near For Strike Votes

A showdown period for unions and employers now is beginning. The next two months should show whether the country is to have a rash of big strikes in 1955. Here is the situation in the major industries:

In coal, some operators have been predicting that John L. Lewis will seek a wage increase now that the industry is showing a pickup. Coal miners received their latest raise in September, 1952. Mr. Lewis could have terminated the soft-coal agreement in October, 1953, but he let it run indefinitely at a time when the industry was depressed.

In steel, CIO Steelworkers have announced they will seek a pay raise in negotiations with various steel companies in June. The contracts allow talks on wage increases at this time, but not on other issues. The union is permitted to strike on July 1 if wage talks are not successful, but the industry does not expect a strike.

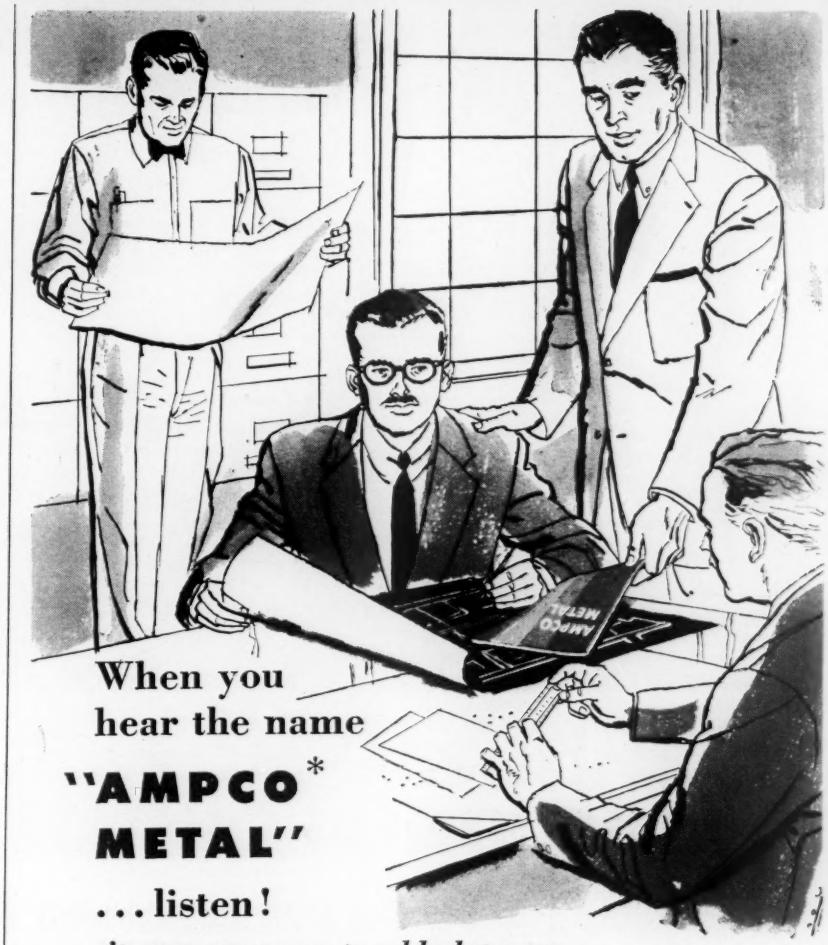
With steel companies reporting better earnings than in 1954, some sources in the industry expect the union to get a pay raise of at least 10 cents an hour without calling a strike.

Ford first, others later. In autos, contract negotiations are moving closer to a June 1 crisis. The industry thought it saw signs that the first auto showdown would come at the Ford Motor Company. Ford's contract with CIO Auto Workers expires June 1 unless extended by mutual agreement. The union also has been negotiating with General Motors on the same key issue—a guaranteed annual wage—that highlights the Ford talks.

Another contract, with American Motors Corporation, was extended to August 12 last week in a move taken as new evidence that the CIO plans to concentrate on GM or Ford for its annual-wage drive. Anything won from these big companies will be sought from the rest of the industry later.

Federal mediators, watching the auto talks closely, also look for possible trouble in several other industries. CIO contracts in the plate-glass industry are due to expire during May, as are agreements of AFL unions in the paper-making inustry.

CIO Electrical Workers called a conference for May 11 to draft demands for negotiations in the electrical-equipment industry. This union has a contract with the Radio Corporation of America due to expire on May 31, with various others scheduled for later dates.



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G-30

PLUS & MINUS
Latest Indicators of Business Activity

Breadth of the recovery in business activity continues to increase as rising production sets in motion a larger flow of incomes through the economy.

Steel output was scheduled at 96 per cent of capacity in the week ended April 30. That rate indicated a tonnage 41 per cent above a year ago and about equal to the record in March, 1953.

Intensity of steel demand is still growing. Auto manufacturers continue to press for large deliveries of the metal. They are joined by most other steel-consuming industries. Export demand is heavy.

Auto production, estimated by Ward's Reports, Inc., soared to 185,500 in the week ended April 23, about 4 per cent above the peak set in March and 47 per cent above a year ago.

Auto dealers reported heavy sales of new and used cars in the first 20 days of April. In March, dealers sold about 700,000 new cars, for a record.

Electric-power output, seasonally adjusted, rose to a new high in the week ended April 23, up 17.4 per cent from a year ago.

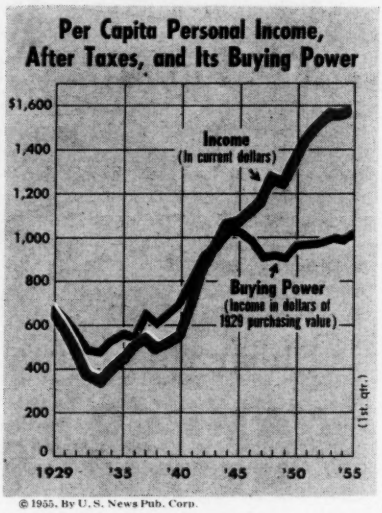
Railroads reported carloadings 12.7 per cent above a year ago, the widest margin since last December.

Department-store sales, down in February and March, rebounded in the first three weeks of April to a rate near the January peak. There was heavy demand for household appliances.

Employment gains have been rapid. The sharpest increase in the rate of factory hiring since World War II took place in March.

Incomes have surged upward. In the first quarter, U. S. personal incomes, after taxes, were at a rate of 260.5 billion per year, more than 10 billions above the 1953 average. Per capita personal income, shown in the top chart, climbed to a record high of $1,586.

Buying power of income, per capita, has risen almost to the peak of World War II. During the war it was abnormally swollen by a rise in wages while prices were under rigid controls. Much of the World War II gain was lost in 1946 and 1947 when prices, freed of controls, rose steeply.



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The factory worker has more than regained the buying power he lost in the 1953-54 recession. In March, buying power of the average worker's take-home pay was at a record high, 6 per cent above a year ago.

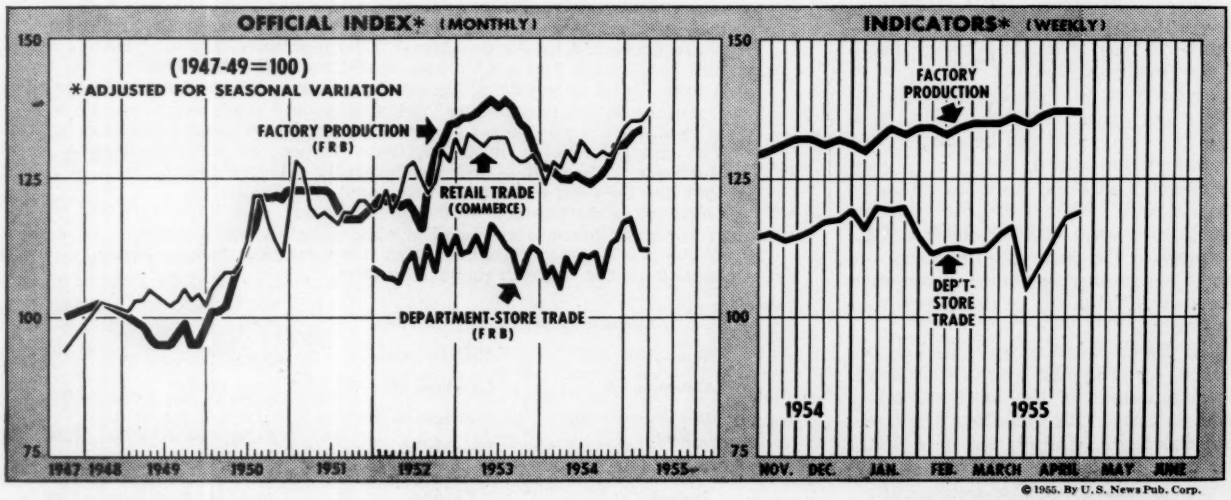
Corporate profits, meanwhile, are growing larger. For 1955, they promise to approach 20 billions, after taxes, highest since the 1950 record of 22.1 billions. Among largest gains in the first quarter are profits of General Motors Corporation, up 63 per cent from a year ago, and profits of U. S. Steel Corporation, up 62 per cent.

Dividends continue to rise. In March, cash dividends paid by corporations were 6 per cent above a year ago.

Bargaining power of unions is strengthened as manufacturers report larger profits and pay fatter dividends. Steelworkers have served notice that they want a pay raise when their contracts with producers expire on June 30. Auto Workers are already negotiating with General Motors and Ford. A wage pattern, set by auto and steel settlements, will spread to other industries and give a further lift to incomes.

Capital expenditures of business are being made at a faster rate. Contract awards for industrial construction were 26 per cent above a year ago in the first quarter. In March, the gain over last year was 120 per cent, with increases in 17 of the 24 classes of manufacturing buildings. Machine-tool builders received new orders in the first quarter a fourth larger than a year ago.

Adjustments in output of some industries, due in the third quarter, promise to be mild if strikes in the steel and auto industries are averted. It is probable that larger incomes of individuals and corporations will be spent freely and that the flow of goods to final users will remain strong.



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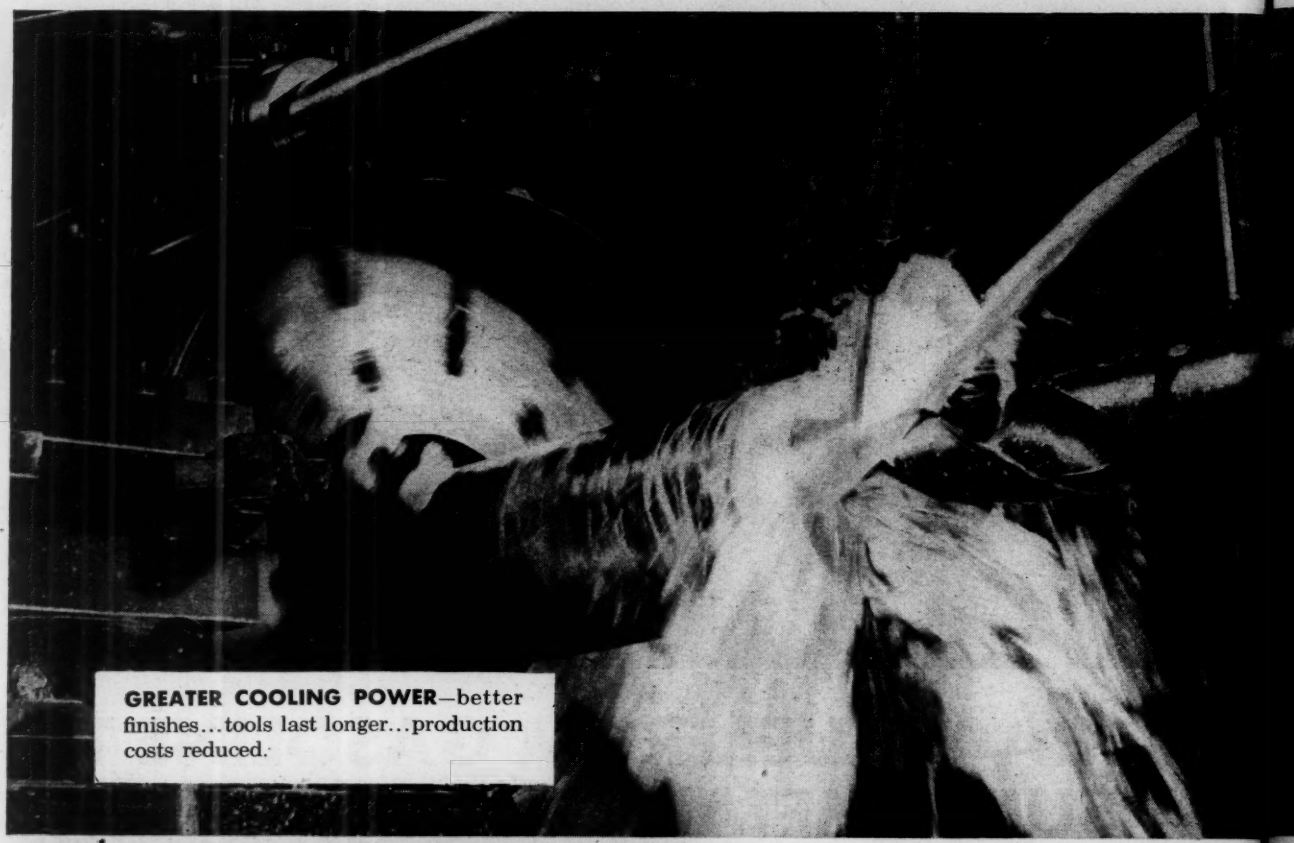

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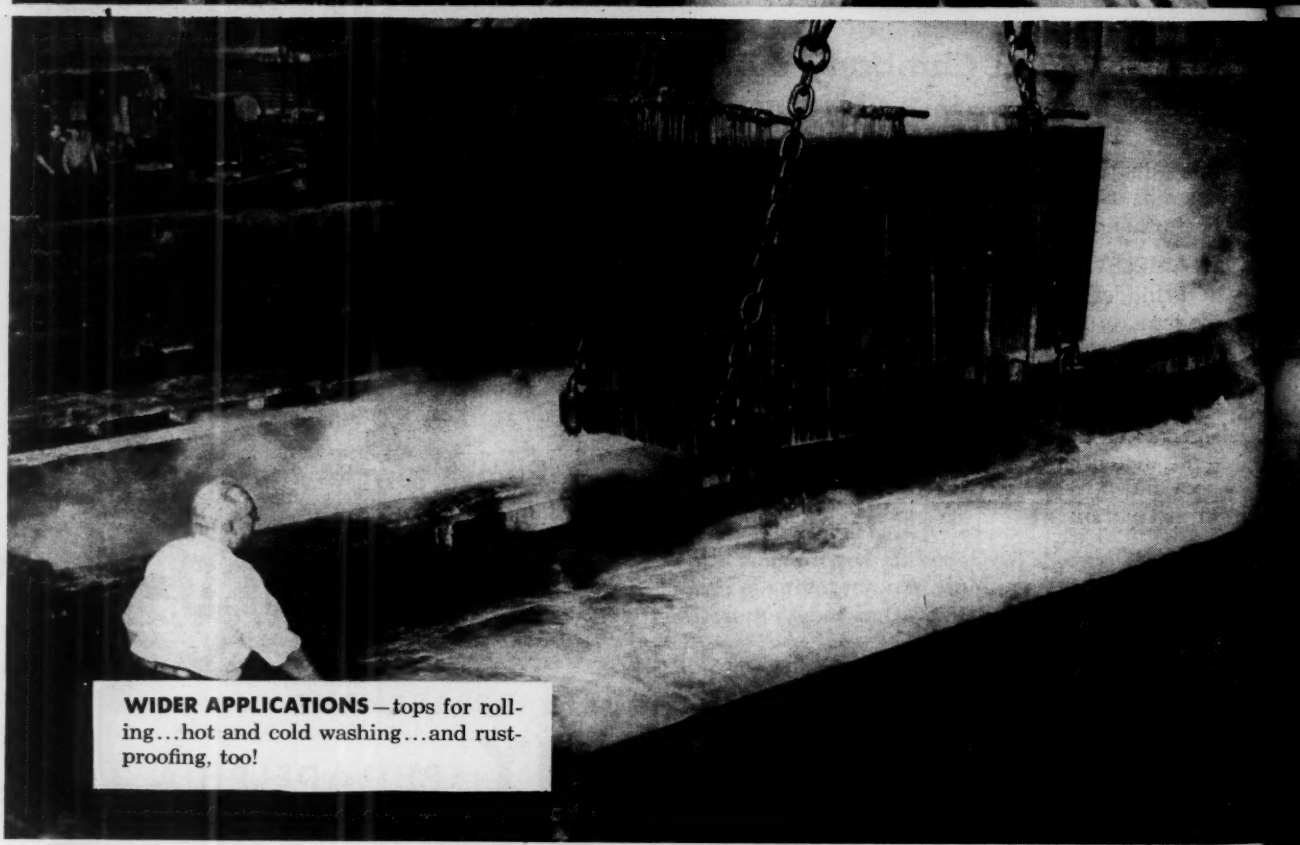

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A Briton's View:

"U.S. POLICY IS NOT ANTI-COMMUNIST ENOUGH"

Is the U.S. too anti-Communist?

Many Europeans complain that it is. But here is one British observer who disagrees.

David Floyd says American policy should be more strongly anti-Communist.

Mr. Floyd has studied Communism at first hand: three years with the British military mission in Moscow, a year in Prague and three years in Yugoslavia.

Now a special correspondent on Communist affairs for the London *Daily Telegraph*, Mr. Floyd recently visited the U.S.

In this article, he suggests how U.S. could make things tougher for the Communists.

Following is the full text of an article titled "Anti-Communism," written exclusively for "U. S. News & World Report" by David Floyd:

Despite the hard lessons of the past, recently refreshed in our memories by the publication of the Yalta records, faith in the possible advantages to the West of high-level talks with the leaders of Soviet Russia remains strong in Europe and many other parts of the non-Communist world. The belief that such talks could bring about a genuine peace with the Communist world lingers on in the minds of politicians, newspaper commentators and the common people alike.

The American Government and people are less inclined to fall for this idea, more disposed to view the Communist monster as a constantly growing military menace to the whole of the free world. They therefore put their faith primarily in preparations to resist outright Communist aggression whenever it comes.

The result is that Europeans are inclined to regard the Americans as "too anti-Communist" and to see in America's attitude towards Communist Russia the main obstacle to the realization of "peace." If only the Americans were more reasonable, they say, the "cold war" could be brought to an end and all the world's troubles would be over. Peace would reign on earth.

American policy planners, on the other hand, feel themselves hamstrung by the attitude of their allies in Europe, Canada and Asia. Respect for the views and feelings of the nations who depend on them, but upon whom they also depend, has produced a dangerous state of inertia and hesitation among those who make American policy.

The result of this difference of approach is that, far from being too anti-Communist, American policy is not anti-Communist enough. Concentration on the purely military aspect of the fight against Communism—which is essential—and fear of European reactions to a more active conduct of the cold war have resulted in almost complete neglect of the current battle against Communism on a world scale.

The cold war, which is only another name for an active anti-Communist policy in peacetime, has been allowed to cool down. Meanwhile, the Soviet leaders, who do not suffer from the illusion that peace is a real or desirable possibility or from the restrictions imposed by public opinion, continue their active struggle against the free world. It is hardly surprising that the initiative seems always to be in their hands.

It is true that, under American leadership, Western Europe has been welded into a union capable of resisting a Communist onslaught, and that steps have been taken in Asia to prevent further inroads. But there are still many weak spots, which the Soviets will lose no time in probing. Must we simply wait for the Kremlin's next move? Can we not seize the initiative?

The first step towards the resumption of an active cold-war policy is for America—and Europe, too—to get rid of the "peace or war" thinking that confuses the issues. "Do you think there is going to be a war?" is the commonest question heard in America, as in Europe. And the right answer is: "No, but I don't think there's going to be peace either."

Whether or not there is going to be a major war depends primarily on the Soviet dictators. And, despite Foreign Minister Molotov's brave words about the next war meaning the end of the "capitalist" world, he and his colleagues know that their Communist world would have the worst of it. Material destruction apart, the more fragile social structure of the Communist empire would be the first to disintegrate in a third world war. The Soviet leaders will not willingly provoke that situation.

On the other hand, the Soviet leaders cannot accept the sort of peace which the Western world must demand. They may be prepared to enter into some kind of temporary division of the world which would give them a breathing space for the next five or ten years. But they will never voluntarily give up any of the territory which they have acquired since the war, nor will they abandon, except perhaps in words, their ambitions to dominate Europe and Asia. What chance, then, is there of coming to honest terms with them?

What we have to face up to, therefore, is a continuing state of no-peace and no-war. That is the most likely prognosis for the foreseeable future. It is in the vast area stretching between the impossibility of genuine peace and the unlikelihood of all-out war that policy has to be made and practiced. It is in this muddy water that the Communists fish with such skill—and we get lost. The reason that we get lost is that we don't know where we are going.

That was the real tragedy of Yalta. It wasn't so much what the Western statesmen did when they got to Yalta. It was what they did not do before they went there. They had no

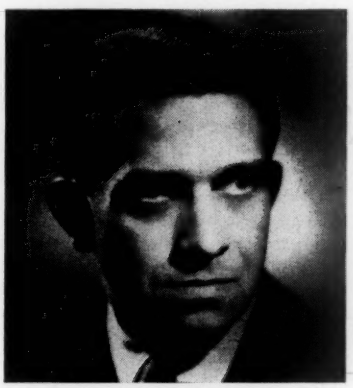
. . . "Soviet rulers can never have complete faith in their troops"

clear idea of what they wanted to get out of the conference. The Russians had very clear ideas and consequently got most of what they wanted.

The next step towards an active cold-war policy is to be more aware of American strength and Communist weakness. America is strong militarily and economically. That is important, but it is not necessarily the most important. America is strong politically and morally, but she makes practically no use of this superiority in the battle with the Communist world.

The Communist world is relatively weak in all these respects. The Communist armies are vast numerically and well equipped. But even the Soviet troops are subject to constant political and police supervision. Remembering the mass desertions at the beginning of the last war, the Soviet rulers can never have complete faith in their armed forces. They can have still less faith in the armies they have trained in the satellite countries.

In the economic field the Communists boast of their production of iron and steel, coal and oil. But such progress as they have made in these items has been achieved at the expense of the Soviet people's standard of living and by exploiting their subject peoples in Europe. Meanwhile, the Soviet regime has failed hopelessly to raise agricultural production and is still faced with the problem of feeding a rapidly increasing population.



DAVID FLOYD

In Europe, Soviet Russia has no friends and no allies, only subjugated nations. The Communist regimes of Eastern Europe were put in place with the aid of Soviet armed force and are maintained by the same means and by political terror. The minute the control is slackened, there are disturbances and revolt, as there were in East Germany and Czechoslovakia in 1953.

No one who has lived in Soviet Russia or in other Communist countries, as the writer has, can have any illusions about the popularity of the regimes. The rulers of those countries know better than anyone else that they cannot fulfill the promises made before they came to power. That is why they resort to ruthless tyranny to maintain themselves in power, and to democratic shams to delude further potential victims.

Surely America can exploit the weaknesses of the Communist system, without ever coming near to provoking a war. By seeking out the weak spots in the Communist armor, you could soon put the Soviet leaders on the defensive.

By far the most tender spot in the Soviet body politic remains Eastern Europe. It was there that Soviet Communism exposed itself most clearly as Russian imperialism. In the East European satellites, 100 million people are held down by armed force, terrorized politically and exploited economically. For the Poles and Czechs and other captive peoples, Communism means not only slavery but foreign domination. They are the victims of Russian colonialism.

The Russians want us to forget about the peoples of Eastern Europe, to make us believe that the battle is already lost. But nobody who has even a casual acquaintance with the histories of the peoples whom the Russians have subjected can believe that they have yielded finally to foreign rule. Their enslavement is far too recent for that to have happened.

As recently as 1953, the people of East Germany revolted and workers in Czechoslovakia went on strike, despite the terror. When Stalin died and his successors felt the ground shifting under their feet, they hastened to relax the pressure on their East European subjects. Does that look as if they were sure of themselves? Now, with Premier Bulganin and Molotov and the old guard back in the saddle, the screw is on again.

The fact remains that the Soviets can hold Eastern Europe down only by force and terror—and the assistance of Western unconcern and ignorance. Can America, with all her vast superiority, moral and material, really do nothing to exploit that situation, without ever coming near to war?

In order to fulfill their own arms program and to meet the pressing demands from the Chinese Communists for capital equipment, the Russians are forced to exploit the East European economies, disorganize their agriculture and food supplies and deprive the peoples of Eastern Europe of even the essentials of life.

Imagine the impression that would be created if the United States were to offer those peoples all the food and consumers' goods they need. Take one country at a time—say, Czechoslovakia to start with. Offer to sell—or give—them all the clothes and footwear and pots and pans they need after seven years of Communism. Make the offer first through the Czech Government, with no conditions attached. Then, when it is refused, make it directly to the people over the radio and through the admirable Free Europe Committee.

The Communists would be forced to refuse the offer, just as they refused Marshall aid in 1947. But they would have to do some fast explaining to their peoples, and whatever they said would only serve the interests of the West. It would tell the peoples that the "decadent" capitalists still had a land of plenty, and it would refute the Communist talk about American desire for war. And what possible objections could the liberals and "progressives" of Europe have to such a program?

After Czechoslovakia, each of the other Communist satellites could be approached in turn. Let each of the governments reject the offer and expose themselves to their own peoples. Let them do the explaining.

But the Communists would have to do more than explain. They could not admit that their Russian masters could produce less than the wicked Americans. They would be forced in some way to match the offer. If they tried to, they would be putting further strains on their economy, and whatever they produced would not make their subject peoples more contented but would be regarded by them as a victory, something extracted from the Communists with American aid, encouragement to make further demands.

Once all the offers of friendly economic aid and real "peaceful coexistence" had been turned down, we might try another tack. Why not break off diplomatic relations with all the Russian puppet governments of Eastern Europe? This would not involve us in war. But American—and Western—recognition is one of the strongest weapons that the Communist governments have to use in breaking the resistance of their peoples. It accounts more than anything for the fact that those peoples see no hope of liberation short of a general war.

Our relations with these Communist governments are of no value to us; indeed, they harm us in so far as they associate us with the Communist regimes. By withdrawing recog-

nition we should put new heart into the peoples, without in any way reducing the amount of contact we have with them. But such an act would cause more pain in the Kremlin than a dozen diplomatic notes. We should have got them guessing.

What applies to Eastern Europe applies equally well to Communist China. And China is the great prize which the Russians will make almost any sacrifice to win. Whatever the truth about Sino-Soviet relations, we know that the Chinese are a proud and ambitious people and that they are demanding a high price for their friendship. Their demands account more than anything else for the recent swing back to heavy industry by the Soviet economy. There can be no television sets for the Russians while the Chinese have no factories.

ANTI-COMMUNIST PROGRAM

Here are some other ways in which America might take the initiative in the East-West cold war out of the hands of the Soviet leaders:

• **Top-level talks.**

Pressure for holding talks with the leaders of Soviet Russia comes from some West European statesmen and left-wing politicians. They are, in turn, under pressure from their peoples and electors, among whom the feeling is widespread that such talks might relieve international tension.

In the face of this general feeling, it is useless to argue that talks, in themselves, cannot alter the existing balance of power in the world. That is why the governments of the West are deferring to the desire for talks and are now reported to be preparing actively for them.

These preparations are essential if another Yalta is to be avoided. But is it essential that they should be wrapped in so much secrecy?

It would be far better, once we have made up our minds to talk to the Soviets and know what we want of them, to proclaim not only our willingness but our eagerness to meet them. It would not be difficult to frame the terms of a peace settlement with the Soviet regime, covering such matters as disarmament, security against aggression, free elections in countries subjugated by Soviet Russia, interference in the affairs of non-Communist states, etc.

Once formulated, the West's "peace program" should be given the widest publicity, so that the peoples of the free world know exactly why their leaders are going to talk to the Communists.

It is doubtful whether talks would ever take place if the Russians knew in advance the terms that were going to be put to them. They will not come to just *any* talks—only to those at which they stand to gain or out of which they can make good propaganda.

But if they refuse to talk, they will have exposed themselves and their intentions. They will no longer be able to exploit the general "peace" feelings of the people in the West. One of the Soviets' principal aims is to make it appear always that they are willing to talk and the Americans are not. This trick could soon be exposed.

• **Delegations from Iron Curtain countries.**

The Soviet Government devotes considerable resources and much time and energy to maintain a steady flow of delegations into their country. Members of these groups are carefully shepherded and indoctrinated and then sent back home to Europe, where most of them act as unwitting propagandists for Communism.

Americans could practice the same technique with even better results. Invite delegations from Russia and the satellite countries, subject them to the same controls, but show them freedom in action. However much the Communists packed their delegations with picked and reliable men, there would be some who would be infected with the virus of democracy.

• **Direct appeals to subject peoples.**

An important part of the Soviet technique is to draw a clear line between the governments in the free world and their peoples. The "people" can do no wrong and are always the object of the sympathy and support of the Soviet Government. But governments, and those who lead the people of the Western world, are "good" only so far as they serve Soviet aims. Soviet leaders often proclaim their desire to live at peace with the American people, but never to live at peace with the American Government.

America should make use of the same distinction in dealing with Communist governments, which have much less claim to be representative of their peoples' will. Instead of lumping the Soviet Government and the various peoples and races which it dominates together under the heading of "the Russians," Americans should never cease to make it clear that they bear the Russian, Ukrainian, Georgian and other peoples no ill will.

These peoples, as Eugene Lyons argued so forcibly in his latest book, are America's "secret allies" because they know just what Communism is and hate it.

By far the best work done in this field is by Radio Free Europe, whose work in undermining and exposing the Communist regimes in Eastern Europe is too little understood and appreciated in America and the West. Radio Free Europe deserves still greater support, official and unofficial.

• **The exile governments.**

Many of the abler politicians and publicists now exiled from Eastern Europe have found places in such organizations as Radio Free Europe, and there continue their fight against Communism. But the majority of exiles are left to make their livings as best they can, largely ignored by the American and European governments. Little effort is made to use their experience and services or to rally the millions of refugees to the anti-Communist crusade.

WAR RISK: NOT LIKELY

These are only some of the ways in which an active anti-Communist policy could be developed. None of them would be likely to involve America or the West in war. All of them would cause the Soviet dictators great concern, would tend to weaken their hold on their empire, and would undo much of the effect of Communist propaganda in the free world.

If the policy planners began to think and act in these terms, innumerable possibilities would open up. Before very long Marshal Bulganin, who is at the moment playing hard to get about a high-level meeting, would soon be putting out more urgent feelers. It would be the East and not the West which would be begging for an East-West meeting.

But we must know exactly what American policy towards Soviet imperialism is. Is it to destroy Communism entirely? Is it to force it back within the boundaries of Russia? Is it to come to terms with Communism within its present limits? Or is it just to muddle along, letting the Soviets always call the tune?

Once America has made up her mind just how anti-Communist she is, she will find ways of putting policy into practice. But she should not delay because if one day, by chance or design, the Russians achieved the military equality of which they now boast, they would not be so politely anti-American as America is anti-Communist today.

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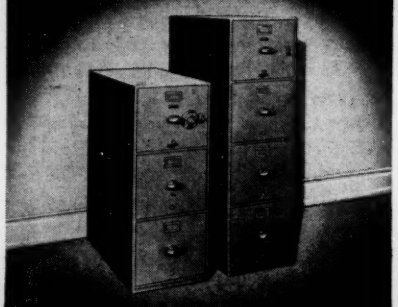

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NEWS-LINES

WHAT YOU AS A BUSINESSMAN ☑ CAN and ☒ CANNOT DO

as a result of recent court and administrative decisions

☑ **YOU CAN,** as a manufacturer of ***automobile accessories,*** bring a treble-damage antitrust suit against an oil company enforcing illegal exclusive-dealing contracts with its service stations. A court of appeals holds that a manufacturer can bring such a suit even though he does not deal directly with service stations but sells only to wholesalers.

* * *

☑ **YOU CAN** perhaps get the courts to stop a union from ***picketing*** that is aimed at compelling you to continue your business at its present location, rather than in another area. In a case where there was no labor dispute, but an argument over removal of a place of business, a State court rules that it, instead of the National Labor Relations Board, has jurisdiction to restrain picketing.

* * *

☑ **YOU CAN,** as operator of a small firm, look for greater consideration when Government ***defense contractors*** pass out subcontracts. In revising its procurement rules, the Department of Defense orders that contracts involving more than $5,000 must have clauses requiring that subcontracts be given to small firms wherever possible.

* * *

☑ **YOU CAN** use a new ***tax table*** in figuring the combined amounts to withhold from the weekly pay of your employes for income and Social Security taxes. The combined withholding table, just issued by the Internal Revenue Service, is known as IRS Publication No. 192. Ask your tax collector for it.

* * *

☑ **YOU CAN,** as manager of a ***variety store,*** use your own price indexes in reporting income to the tax collector under the elective inventory method. The Internal Revenue Service says this may now be done by variety stores even if they previously used indexes of the Bureau of Labor Statistics.

* * *

☑ **YOU CAN** probably get nonmilitary ***atomic information*** from the Atomic Energy Commission, even though the information is classified as

confidential and restricted, if you can show that you need it in your business or profession. But persons obtaining such data must have received a simplified security clearance.

* * *

☑ **YOU CAN** soon buy at cheaper prices ***radioisotopes*** for research in medical therapy and agriculture. The AEC announces that on July 1 it is cutting the cost of these materials to 20 per cent of its catalogue prices.

* * *

☒ **YOU CANNOT** expect the National Labor Relations Board to throw out the results of a collective-bargaining election just because a union, during the campaign, solicited signed pledges from employes to vote for the union. The Board holds that this tactic by a union did not interfere with a free choice by the workers and, therefore, did not violate the ***Taft-Hartley Act.***

* * *

☒ **YOU CANNOT** count on the Labor Board's nullifying a ***plant election*** just because union spokesmen made some misrepresentation during the campaign. NLRB rules that it is not going to "police" union campaigns as long as there is no forgery, trickery or conduct so misleading as to prevent a free choice in the election.

* * *

☒ **YOU CANNOT** take an income tax deduction for the cost of a suit to have a ***residuary trust*** declared void. The Internal Revenue Service rules that such expenses are capital expenditures, and are not deductible as nontrade or nonbusiness expenses.

* * *

☒ **YOU CANNOT** fail to label as ***"imitation ice cream"*** your frozen product that contains vegetable fats in substitution for milk fats, if the product is to be sold in another State. This requirement is established by the Food and Drug Administration.

* * *

☒ **YOU CANNOT** ship some ***lithium*** items to any country except Canada without obtaining an export license from the Commerce Department. The export restriction on this light metal applies to lithium alloys, ores and concentrates, and lithium-containing minerals.

Conclusions expressed in these paragraphs are based upon decisions and rulings of courts and Government bureaus. In making their decisions, courts and bureaus consider many facts which, for reasons of space, cannot be set forth in detail. U. S. NEWS & WORLD REPORT, *on written request, will refer interested readers to sources of this basic material.*

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Earlier this year two hundred of the longest flat cars ever built rolled off the car-shop assembly lines in Bethlehem Steel's plant at Johnstown, Pa., and on to the nearby tracks of the Pennsylvania Railroad. The new cars, of a special design, are being used to carry motor common carrier trailers in the new "TrucTrain" service that the Pennsylvania has inaugurated between New York and Philadelphia and Chicago, with other cities to be added later.

As TrucTrain service operates, the shipment is picked up by a motor carrier at the shipper's doorstep and driven to the rail-trailer terminal, operated by The Rail-Trailer Company, which acts as coordinator between the railroad and motor common carriers.

At the terminal the trailer is backed on to one of the 75-foot flat cars, each of which carries two trailers. The trailer then rides over the railroad to the rail terminal nearest its destination. There it is coupled to a tractor, and the shipment delivered to the consignee's door.

Advocates of coordinated highway-rail transportation believe its advantages are so decided, its economic benefits to both the railroads and the long-distance motor carriers are so weighty, as to mark it for a bright future.

To railroads offering this service the appeal is in the opportunity for important addition to revenues through winning back freight lost to the highway. The appeal to the motor carrier who ships his trailers by rail lies in a known cost, plus speed and dependability, and the fact that he has fewer worries connected with conflicting state regulations and operation on traffic-jammed highways. And the public gains, too, through the lightened burden on overcrowded roads.

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Caution signals about the boom are being hoisted again by top officials.

Margins on the stock market have been raised from 60 per cent to 70 per cent by the Federal Reserve Board. That means on-the-cuff buyers of stock must put up 70 per cent in cash to close the deal.

No-down-payment terms on home mortgages are being tightened a little bit. Veterans' Administration and Federal Housing Administration no longer will give mortgage guarantees when the lender advances closing costs for the borrower.

Home buyers thus must put up more cash--although, if veterans, not much.

These steps actually are nothing more than mild warnings. They do not indicate any serious intention to interfere with the current rise in activity.

Tighter credit, however, is being allowed to develop by Federal Reserve.

Reserve Banks have bought no Government securities for some weeks now. That means, in effect, that the Federal Reserve is supplying no new credit.

Demand for credit, however, is growing. Result is that money is getting to be a little harder to borrow. That shows up in rising interest rates.

U.S. Treasury is preparing to issue 2 per cent notes to meet its financing needs this month. To be raised: about 2.5 billions to pay off maturing tax and savings notes; about 3.9 billions to refund maturing certificates.

Forthcoming Treasury issue provides official recognition of the fact that borrowing is more costly than it was only a few months ago.

Higher interest rates may have the effect of curbing credit somewhat. Higher rates tend to make VA and FHA loans less attractive. They may raise the cost of buying autos and appliances on the installment plan.

Basically, Government money managers are in a bit of a dilemma.

Business expansion requires additional credit. There seems to be no good reason at the moment to slow down the rise in general business activity.

Inflation is not now a threat. Prices are stable. Full employment has not yet been reached. Industry still has some idle capacity.

Credit flow into mortgages, into the stock market, into installment loans, however, does show some faint signs of excess.

Problem of federal authorities is to try to direct credit where it is needed, but to restrain credit where it might be excessive. That's a hard one to solve, especially when only general controls over credit can be used.

Prospect is that officials will move cautiously in months just ahead. A return to the "tight money" policy of early 1953 seems unlikely at this time.

Trade bill approved by Senate Finance Committee isn't likely to have any far-reaching effect on U.S. trade with other countries.

(over)

Written for the issue of May 6, 1955, Volume XXXVIII—No. 18
U. S. NEWS & WORLD REPORT

Tariff-cutting authority in the Senate bill actually is quite mild.

What Mr. Eisenhower gets in the measure is a three-year extension of the Trade Agreements Act with power to cut tariffs 5 per cent in each year.

The 5 per cent cuts can't be carried over from year to year. If one trim is passed up the first year, tariffs can be reduced by only 10 per cent.

There's going to be no wholesale tariff cutting under those terms.

Special protection for specific industries, such as oil, textiles and pottery, is left out of the Senate bill.

Relief can be extended, nevertheless, upon a showing that it is needed for national security, or that imports threaten a domestic industry. These "escape clauses" are made easier to apply in the new bill.

Eliminated by the Senate bill was a provision in the House measure that would allow 50 per cent cuts in tariffs on goods that now are imported in "negligible quantities" or not at all. Some 1,100 commodities fall in this group, including varnishes, spectacle frames, costume jewelry.

Still in the bill is a provision to permit genuinely high tariffs on any item to be cut to a rate amounting to 50 per cent of its value.

What the Senate bill actually does is to weaken the House bill. Chances are that the Senate version will be adopted.

Rise in business activity gives signs of continuing. These signs come from new orders to business firms, reported by Commerce Department.

New orders this year are higher than a year ago for almost all industries.

Rise in orders is reported by 2 out of 3 firms in lumber and furniture, 4 out of 5 firms engaged in producing steel, aluminum, other primary metals, automobiles, electrical machinery, cement, glass.

More than half the companies engaged in making "durable goods" report an increase of more than 10 per cent over the early months of 1954. Orders also are higher than a year ago for rubber companies, garment factories, and a number of others in the "nondurable goods" field.

Note that orders mean future business. The increase in orders over a wide segment of industry means that the recovery that was touched off at first by autos and steel is spreading along a broad front.

Optimism over business prospects also is widespread. Expectations of businessmen are confident, a survey by Dun & Bradstreet, Inc., finds.

Among manufacturers, nearly three fourths expect business in the third quarter of 1955 to be better than the third quarter of 1954.

Among wholesalers, 69 per cent look for third-quarter gains.

Among retailers, 75 per cent are counting on improved sales.

Businessmen generally expect prices to remain stable, and most of them report that they see no substantial change in inventories.

Antitrust actions are being stepped up by the Justice Department.

Hilton Hotels Corporation is being sued for buying the Statler chain. Charge is that by buying hotels in Washington, New York, St. Louis, Los Angeles, Hilton reduced competition, particularly for convention business.

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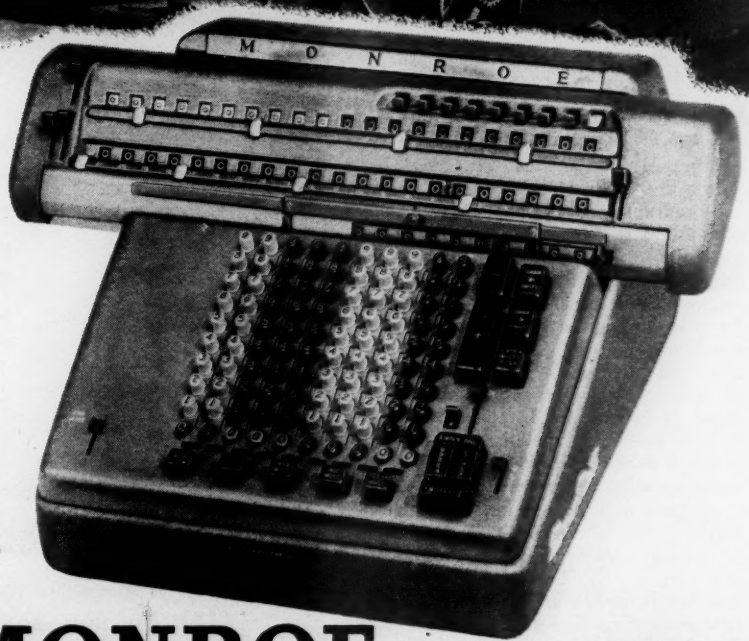


OPERATORS WHO KNOW... PREFER **MONROE** *CALCULATING, ADDING, ACCOUNTING MACHINES*

BRITAIN GIVES BUSINESS A BREAK

The Aim: Keep Taxes From Retarding Investment

A new impatience for business-tax relief is growing out of news of tax cuts granted corporations in other countries.

Goal of the Eisenhower Administration still is to gear taxes to investment—to spur industry expansion for more jobs.

What the record shows is that, while U. S. talks about inducements to investments, Britain and Canada have gone ahead.

New tax relief for British and Canadian corporations is drawing attention to the less favorable tax treatment given U. S. businessmen by their Government.

Britain has the highest taxes in the world. Yet corporations in Britain bear a lighter load than corporations in the U. S. This advantage—not apparent in the tax rates usually used to compare tax burdens—is one that British corporations have enjoyed under both Socialist and Conservative governments.

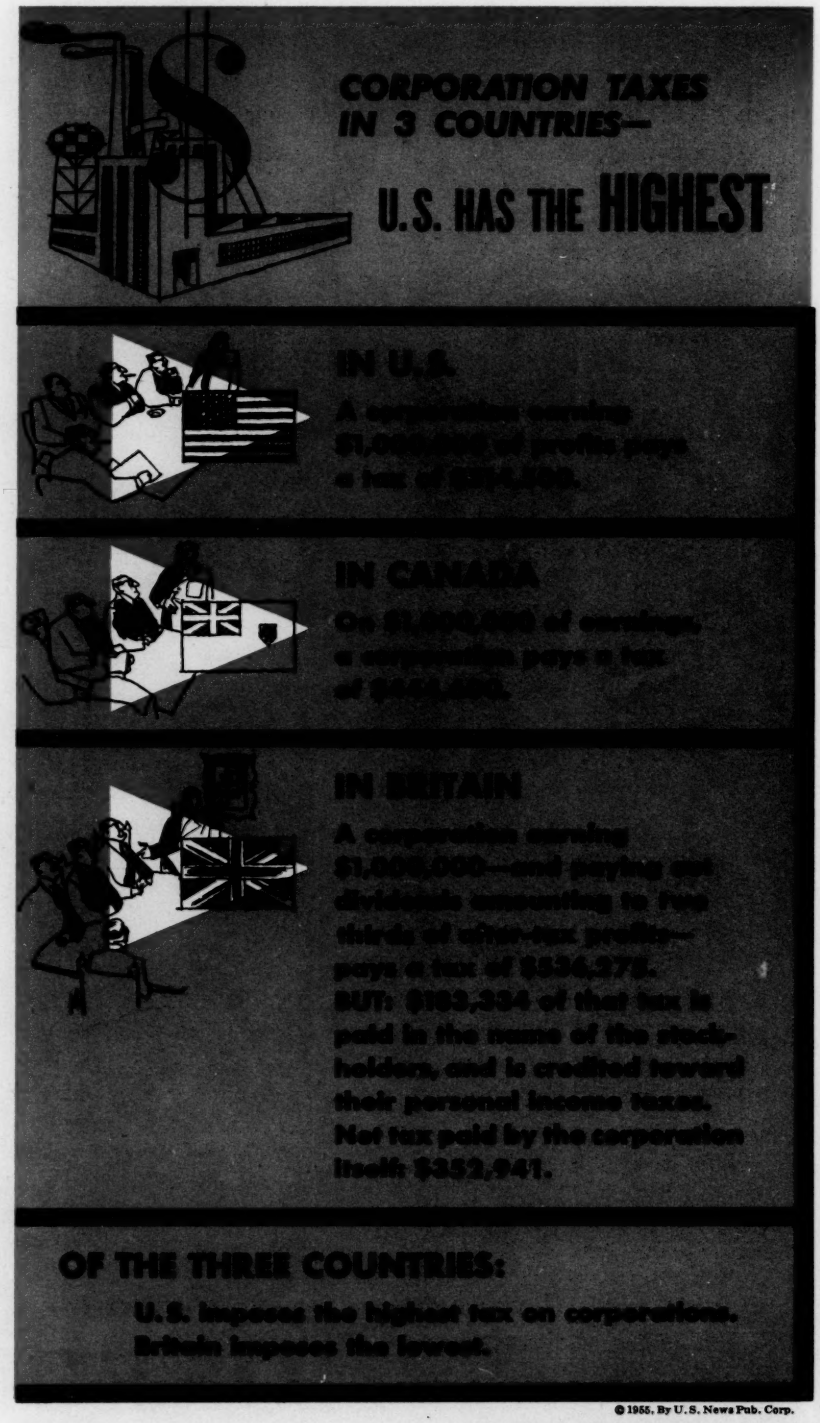
Canada, too, dips more sparingly into corporate treasuries than does the U. S.

Now, a second helping of tax relief for British and Canadian corporations is reminding U. S. businessmen of other differences between their Government's approach to taxes and that taken by Britain and Canada. Businessmen are recalling the "radical revision" of the U. S. tax program called for by Mr. Eisenhower's tax spokesmen in 1953.

Two tax philosophies. Britain and Canada, it is noted by American businessmen, have gone ahead of this country in designing tax programs to encourage investment by corporations in new industrial facilities. While total taxes, at all levels of government, take a larger chunk of income in Britain and Canada than in the U. S., the bite is gauged to create a minimum of discouragement to investment by corporations.

In Britain, for example, the Government claims a relatively modest share of corporate earnings while those earnings are in the hands of companies. Only when profits are paid out to shareholders is the full force of British taxes felt.

British firms are thus encouraged to



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reinvest profits in job-creating factories, machinery, other facilities.

The treatment of a corporation earning a million dollars a year before taxes illustrates how businessmen fare in the three countries.

In the U. S. the corporation pays the Federal Government $514,500 of its earnings. It has $485,500 left.

In Canada, the corporation earning a million dollars pays the Government $444,600. It has $555,400 left.

In Britain, the tax on a million dollars of profits depends on what the corporation does with its profits.

If the company keeps all its after-tax earnings for investment, the tax is $450,000. British shareholders, thus, find that the company they own is able to reinvest $64,500 more than an American firm in the same circumstances.

The British company, moreover, is subject to no penalty tax for retaining all its profits. Some U. S. corporations—those held by a relatively small number of stockholders—can pay stiff penalties for retaining a big share of earnings.

If the British firm splits its profits with its stockholders, it still fares better than its American counterpart.

Assume the corporations pay out two thirds of profits after corporate taxes.

The American company still pays $514,500 in taxes. After sharing with Government and company stockholders, it has left $161,832 for investment.

The British corporation pays a tax of $352,941. After sharing with Government and its stockholders, the firm has $215,686—or $53,854 more than the U. S. corporation.

At the same time, the British firm withholds $183,334 of taxes from the dividends it pays to shareholders. Those taxes, turned over to Government, are credited to shareholders on their own personal-income taxes.

These comparisons whet the appetite of businessmen for tax reforms already proposed by the Administration.

Ike's plans. Officials have strongly condemned the 52 per cent tax on corporate earnings as too high for economic health. Yet, for two years, relief has been deferred.

Taxes on capital gains, too, offer an example of Administration preference for the British-Canadian approach. In Britain and Canada, taxpayers who sell their investments at a profit are not taxed on that profit. Such a return is not regarded as "income."

In the U. S., capital gains are taxed as income, though at a top rate of 25 per cent if the investments have been held more than six months. Now, Administration officials are studying ways to ease the capital-gains tax in order to foster investment.

For another example, British and Canadian businessmen are offered spe-

(Continued on page 126)

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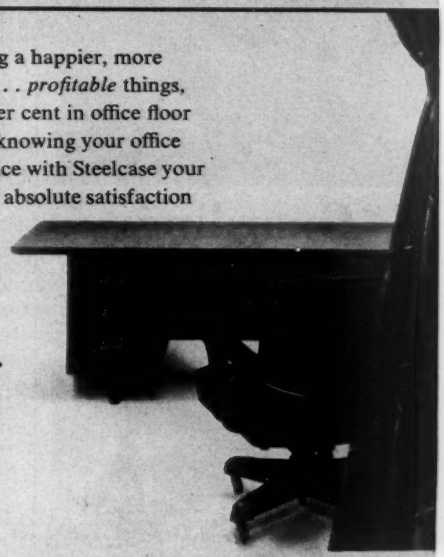

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. . . Double tax on dividends misses nearly all Britons

cial inducements to invest—extra deductions for some industries in Canada and special investment allowances in Britain.

Britain and Canada, again, draw heavily from taxes on the sale of goods and services. This approach, too, is one that the Eisenhower Administration prefers and is studying. Meanwhile, income taxes yield the bulk of U. S. revenue.

Taxing shareholders. Mr. Eisenhower also has made clear his aversion to the double taxation of dividends—taxed once as profits to the corporation and again as dividends to stockholders.

Last year, shareholders were given a grant of tax freedom on the first $50 of their dividend income, plus a tax credit equal to 4 per cent of the rest of their dividend income. That relief is officially regarded as just a starter.

In Canada, by contrast, stockholders get a tax credit—on their own tax bills—amounting to 20 per cent of the dividends they receive.

In Britain, they get full credit for a 42.5 per cent tax paid on dividends by their corporations. This means complete freedom from personal income taxes on dividends for all but a very small number of British shareholders—those with income of more than $5,600.

Actually, total taxes on British dividends are heavier than the combined corporation and personal taxes paid by most U. S. shareholders. That follows necessarily from the heavier total tax load borne by the British. Yet the complete elimination of double taxation means that, if lower defense costs ever permit major tax cuts, British shareholders—like British corporations—may be better off than those in the U. S.

All these comparisons indicate the lines of tax reform to which the Administration is addicted, and committed. They thus outline the tax changes on which businessmen are counting.

› Money costs more. Interest rates inch on up in response to Federal Reserve Board policy. Five big sales-finance companies, for the third time in April, raised the rates they are willing to pay on their short-term unsecured notes—"commercial paper." The U. S. Treasury, on its latest 90-day borrowing, had to pay an average of 1.697 per cent—highest rate since late in 1953. Prices at which investors are able to sell their Government bonds and notes have been slipping again.

› Big investors. Bonds and stocks held by institutions—banks, trusts and the like—now are estimated at 250 million dollars

(Continued on page 127)

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One of Chicago's Oldest and Largest Savings Associations . . . where prepaid savings certificates earn 4%! Send check or write for Free Financial Booklet. Act Now! Accounts opened by 15th earn from 1st.

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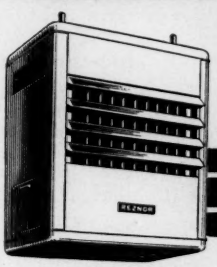

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Reznor Manufacturing Co., 17 Union St., Mercer, Pa.

. . . U.S. corporations reach record in working capital

by *Trusts and Estates* magazine. Trust institutions show the biggest holdings, 105 billions' worth, and much the biggest corporation-stock holdings, 56 billions' worth.

> Industry more liquid. A new record in net working capital—that is, current assets in excess of current liabilities—has been set by U. S. corporations. They had net working capital of 95.8 billions at the end of 1954. Cash and U. S. Government securities alone equaled 56 per cent of all current liabilities—giving corporations their most "liquid" position since mid-1951.

Tax Deadlines Ahead

MAY 10

- ***Employers*** who deposited income and Social Security withholding taxes on time during the first quarter file first-quarter return, form 941.
- ***Manufacturers, retailers,*** others who deposited excise taxes on time during first quarter file first-quarter return, form 720.

MAY 16

- ***Tax-exempt organizations*** file information returns for 1954, form 990 or 990-A.
- ***Employers*** deposit income and Social Security taxes withheld in April if more than $100.

MAY 31

- ***Manufacturers, retailers,*** others deposit excise taxes for April if more than $100.
- ***Gamblers, bookmakers*** pay taxes on wagers accepted in April, form 730.

JUNE 15

- ***Individuals*** pay second installment of estimated 1955 income tax. Amended tax declaration may be filed.
- ***Corporations*** pay final installment of 1954 income tax (50 per cent).
- ***Employers*** deposit income and Social Security taxes withheld in May if more than $100.

This announcement appears for purposes of record only. These securities were placed privately and no public offering is being made.

New Issue April 28, 1955

$7,350,000

North American Car Corporation

5⅛% Cumulative Preferred Shares

($100 Par Value)

This financing was arranged in connection with the acquisition of the assets of the Mathers Humane Stock Transportation Company by North American Car Corporation. The undersigned acted as advisor in these negotiations and as agents of Mathers Humane Stock Transportation Company in the placement of these securities.

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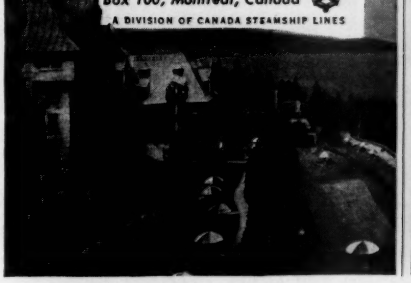

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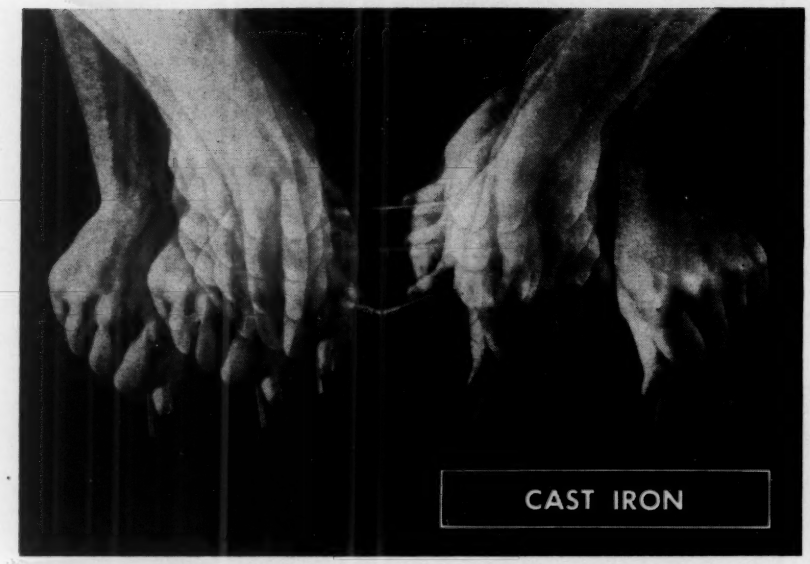
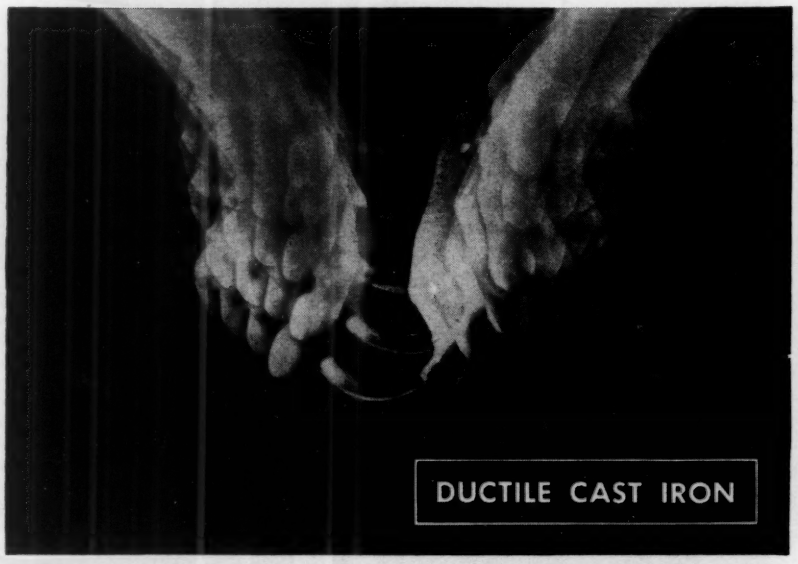


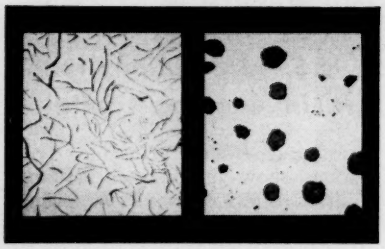
Repetitive flash photography makes it plain that plain cast iron, strong as it is, is breakable.

Slow-Motion Proof

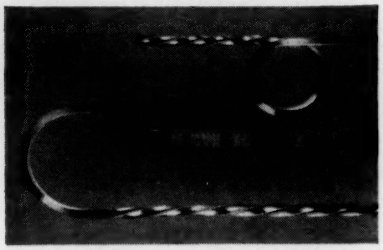
that Inco-developed Ductile Cast Iron is a cast iron with exceptional toughness



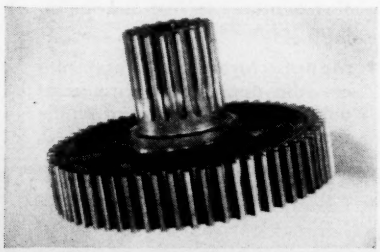
Under the watchful eye of the strobe camera, Ductile Cast Iron bends and bends. No break!



HERE'S THE INSIDE STORY on the difference between cast iron and Ductile Iron! In cast iron *(left above)*, the graphite is in flake form. Making for brittleness. In Ductile Cast Iron *(right)*, it's formed into tiny spheres. This makes for toughness and strength.



NEW TWIST! Once you *see* this difference, you understand why Ductile Cast Iron is so strong and tough. Why it can be bent and twisted without breaking.



TODAY, Ductile Cast Iron is a material of many varied uses. Everything from pinking shears to plowshares—washing machine gears to jet plane parts! And industry is rapidly expanding its uses of this economical cast material.

An Inco development, Ductile Cast Iron is a new material that combines the best features of cast iron and steel.

Like cast iron, Ductile Iron has good fluidity. It's easy to cast. It machines well.

Like steel, Ductile Iron is strong and tough *(the picture at left proves it)*. Its ductility is outstanding.

With Ductile Iron, industry is cutting costs on materials, production, maintenance. Write for "Ductile Iron, the Cast Iron that Can Be Bent." Maybe this booklet can show you how this new material, *greatest foundry advance in over a century,* can help you cut costs. The International Nickel Company, Inc., Dept. 125d, New York 5, N. Y. ©1955, T.I.N.Co.

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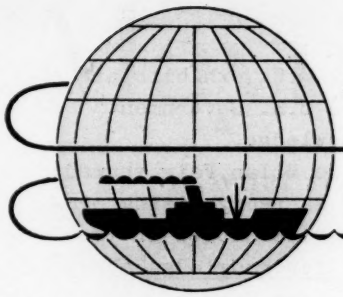
Producer of Nickel, Inco Nickel Alloys, Copper, Cobalt, Tellurium, Selenium and Platinum, Palladium and Other Precious Metals.



Business Around the World

MILAN • FRANKFURT • TOKYO • OTTAWA

>> "Main Street, U.S.A." is being brought to Europe as perhaps never before.

Europeans--by the millions--are getting a chance to go through a typical American living room, dining room and kitchen. These rooms were the top attraction of the official U.S. exhibit at the Milan Trade Fair, just closed.

Variations on the "Main Street" theme will be used at the Paris Trade Fair this month and at other European fairs coming along later this year.

Europeans looked bug-eyed at the kitchen equipped with a range, refrigerator, dishwasher, coffeemaker, electric mixer, clock-radio, all shown in use. It's emphasized that this is the kitchen of an average-income American family. It's shown, in supporting exhibits, that mass production, high productivity, high purchasing power make this standard of living possible in the U.S.

This exhibit is part of the U.S. Government's new program of participating in foreign trade fairs to create good will.

>> Official U.S. exhibits of this kind, although put together with the help of American firms, can't very well plug products in the commercial sense.

A visitor to the Milan Fair points out this difficulty:

"The main purpose of the official U.S. exhibit appears to be to show a picture of American life and to provide a place where Italians or others can come for information regarding sales of products to the U.S. There is little emphasis on U.S. products that are available for sale to other countries, and some visitors to the exhibit have come away a little unsure about what kinds of things Americans really want to export."

But these visitors to the fair could hardly miss the booths of some 700 American companies displaying, and more than willing to sell, their wares.

>> It was decided last August that the U.S. Department of Commerce should put the U.S. on the map in international trade fairs.

For centuries, these fairs have been held in Europe, and lately they have spread to the Near and Far East. A great volume of business is done at them.

Americans do not have many industrial fairs of the same scope. And Washington has been a little slow to realize the propaganda value of participating in these fairs at the national level.

Russia, Communist China and their satellites have been quite active in these fairs for several years past. In fact, they dominated some fairs such as that held in Jakarta, Indonesia, last August.

But, since the first exhibit by the U.S. at the Bangkok Fair last December, Russia's interest has cooled. In fact, Russia withdrew from the Bangkok Fair, the recent Lyons Fair and the coming Paris Fair.

(over)

>> Trade-information centers are located in all official U.S. exhibits at foreign trade fairs. These centers are manned by selected U.S. Government officials and American businessmen with wide practical knowledge.

Questions asked at the trade-information center at the Milan Fair showed the great interest of European businessmen in such things as reorganizing production and distribution, how to set up chain and self-service stores on the American model, how to package attractively. This thirst for knowledge about American techniques and methods is noted everywhere in Western Europe.

American businessmen, returning from Europe in recent months, have been impressed with the fact that European business firms seem somewhat less interested in selling to the U.S. and more interested in selling to their own countrymen or neighbors by using American merchandising methods.

This trend is unique in European history.

>> Western Germany, continuing to spearhead the European boom, is finally developing a full-fledged capital market again.

German industrialists for several years have been complaining about the lack of a "true" capital market. Up to this year, tax exemptions given certain types of housing and public-corporation bonds practically precluded flotations of industrial bonds or stocks except on prohibitive terms.

But that tax exemption has expired. And new common-stock issues are being gobbled up. Buoyancy of the German stock markets has helped and so has the new tax cut on that part of corporation income distributed in dividends.

In any case, German savings, rising strongly, now have a normal channel for meeting the new capital needs of German industry. At the moment, the Germans do not seem particularly anxious to attract foreign capital.

>> Meanwhile, across the Pacific, big Japanese business is getting bigger and small concerns are getting weaker. Once more the pre-1945 Zaibatsu--cartel--system is taking shape. Breakup of the cartels, engineered in the early days of the American occupation, is a joke now. In Japan:

Steel is dominated by six companies. Smaller firms work on subcontracts or specialties. There's little competition between big and small firms.

Coal mining is in a sad state. Price of coal has fallen and small producers have had to sell out to larger organizations.

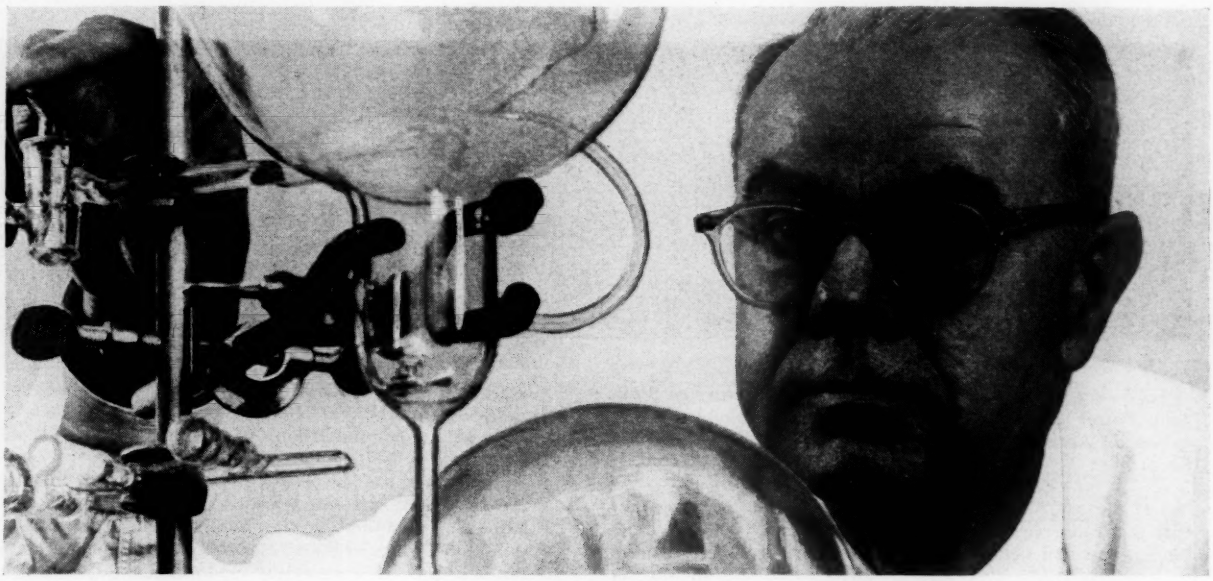
Cotton-textile industry is depressed. A small group of the largest companies operate more than 60 per cent of Japan's spindles and co-operate with each other against newer firms. Inefficient firms may be eliminated.

Formation of larger trading companies in the foreign-trade field also shows the trend. Before the war, the Mitsubishi and Mitsui trading companies controlled 30 per cent of Japan's trade. Several Mitsubishi fragments recombined last year. Three of the four Mitsui firms have now decided to merge. New merged companies will still be small by prewar standards. But just give them time to grow in the fertile atmosphere provided by the Hatoyama Government!

>> Correction: In the issue of April 15, 1955, it was stated in Business Around the World that investment companies set up with U.S. capital and operating in Canada would be subject to a new income tax proposed by the Canadian Government. Actually, the new tax would not apply to investment companies that are owned by "nonresidents" of Canada.

Maynard Reynolds

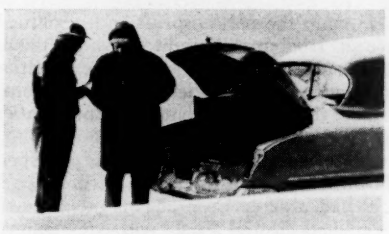
or what model gasoline for your 1958 model car?



"You've probably heard it said that competition in an industry brings the customers better products ahead of time.

"If you ever doubted it, you should have been looking over my shoulder lately.

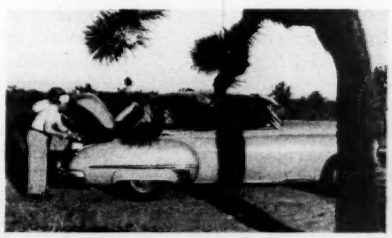
"I'm a research chemist for Union Oil. That's why, back in 1951—when Union was selling all the gasoline it could refine—the boss called me in. He said management wanted to know what



kind of gasolines we'd have to be able to market in 1958 to satisfy cars then.

"After studying trends in engine design, we set to work on our '58 model gasolines. We pushed octane right to the ceiling for the highest practical power and knock-rating. But we wanted more than power.

"We wanted gasoline that would start a cold engine in a wink and let you drive away without a warm-up. We took our test cars into snow country and worked at 20-below.



"We also wanted gasoline that wouldn't vaporlock. So we drove down into the desert and tested blends till we had one that would perform in an oven.

"Well, when we had all the vital statistics we showed 'em to the men on the 12th floor. They took a long look at the facts, okayed $70,000,000 for a refinery expansion program.

"As a result, we were able to introduce our 1958 model premium and regular gasolines in 1955—three years ahead of schedule. *And man, are the customers taking them away from us!*"

* * * *

Maynard's true story points up again the big advantage of being a customer under America's free enterprise system.

Because we compete with every other oil company for your business, we con-

stantly *have* to introduce improved products to please you.

But if—as in Russia today—government had a monopoly on all business, there would be no incentive to bring you anything better.

YOUR COMMENTS ARE INVITED. *Write: The President, Union Oil Company, Union Oil Building, Los Angeles 17, California.*

Union Oil Company OF CALIFORNIA

MANUFACTURERS OF ROYAL TRITON, THE AMAZING PURPLE MOTOR OIL

WHO "LEAKED" THE YALTA PAPERS?

Secretary of State Tells Official Story to Senate

Here is the windup of the argument over the State Department's release of the Yalta papers. In a statement to the Senate Foreign Relations Committee, Secretary Dulles reveals how the documents were edited and who worked on them.

You learn why the Yalta papers were withheld for 10 years, and how they happened to be "leaked" to one newspaper by Assistant Secretary Carl W. McCardle.

Mr. Dulles also tells the story of British objections to the American version of Yalta, and how the final release date was changed to keep the documents out of politics.

Following is full text of a statement by Secretary of State John Foster Dulles to the Senate Foreign Relations Committee on April 19, 1955, as printed in the "Congressional Record":

Let me say at the start that I believe that it was right that the Yalta papers should be made officially public. I believed—and still believe—that the American public, historian and citizen alike, is entitled to all relevant information on this remarkable chapter in world history that could be divulged without jeopardizing the national security. In this respect I share the view expressed by the late Edward R. Stettinius, Jr., who as Secretary of State participated in the Yalta Conference. He said, in 1949, that "it is important for the public to know exactly what took place in the Crimea, and, almost equally important, what did not take place." That was said in the preface to his volume "Roosevelt and the Russians" which very fully reproduces his detailed record of the Yalta Conference.

The official United States publication has now taken place. I am glad to review with you the background and the chronology of events in connection with it.

I

The volumes on the Malta and Yalta Conferences were two of a number of volumes in the Foreign Relations series requested by the Senate Appropriations Committee in its report for fiscal 1954. The request grew out of the supplemental hearings of the Senate Subcommittee on Appropriations on May 15, 1953, which considered a 4-year publication program submitted by the Department of State. This program involved the reduction of the backlog of 26 volumes which had been compiled but not published, along with the publication of a series of volumes on our relations with China during the 1940s and another on the World War II Conferences of heads of Government. The Senate Appropriations Committee's report of May 28, 1953 requested the Department of State to "allocate sufficient funds from the appropriation 'Salaries and expenses, 1954' to provide the necessary personnel and other related expenses essential to start reducing the backlog" of the Foreign Relations volumes, and referred with approval to the 4-year program submitted by the Department.

In the hearings for fiscal 1955 the Senate Appropriations Committee had before it a report from the Department showing the proposed schedule of publication which listed the Malta-Yalta volume as having top priority for publication in the series on World War II conferences.

The Senate Appropriations Committee's report for fiscal 1955 stated:

> "The committee reiterates its firm conviction that the historic and documented record of our international relations as compiled in the Foreign Relations volumes should be continued aggressively and in unexpurgated form. Every effort should be made to make these documents available just as soon as security considerations will permit. Accordingly, the committee is recommending $227,280 for this specific purpose."

The Yalta papers were ready to be sent to the printer early last September. If they had been printed at that time they would have been ready for publication in October. The question of whether to publish in October was put to me while I was in the Far East in September. On my instructions, Assistant Secretary Carl W. McCardle cabled the Department from Tokyo on September 11, 1954, as follows:

> "With respect to date of publication, Secretary believes that it should not be published until after the congressional elections. If the publication could have taken place a month ago, that would have been all right; but to publish only 2 or 3 weeks before elections would, he thinks, damn the entire operation as political, and in the eyes of students discredit it as politically motivated. They would be suspicious that the selection and omission of documents had been politically motivated. He would, therefore, recommend publication sometime about the 1st of December."

That December date was not met because of unexpected developments. The British Foreign Office, in accordance with customary practice, had already been shown the documents of British origin, and had cleared these, with very minor exceptions, which did not affect our foreign policy. But toward the end of November 1954 the Foreign Office asked to see the entire collection of documents, including those of United States origin.

In view of the understandable British interest in the minutes and related conference papers, the Department sent the entire set of galleys to the Foreign Office for its information. This was done on December 2, 1954.

By early January, no comments had been received. So, on January 10, 1955, I sent a personal message to Foreign Secretary Eden telling him of our desire to proceed with publication without further delay and expressing the hope that

. . . "Undesirable to perpetuate . . . atmosphere of mystery"

he had no objections. On January 13, he replied that he still had some questions which he suggested we could discuss together at Bangkok the following month. He requested delay until then.

Delay at British Request

In deference to the Foreign Secretary's wishes, I postponed the publication. However, under the pressures of other matters, Sir Anthony Eden and I failed to talk about this at Bangkok.

Accordingly, upon my return from Bangkok I decided that, while awaiting British approval, a limited number of galleys should be printed and made available on an official basis for departmental use and use by those committees of the Congress who had a special interest in them. On March 10, I cabled Sir Anthony recalling that he had planned to talk to me at Bangkok about the publication of the Yalta papers, but that in the pressure of business we had both overlooked this. I said that, in deference to his views, I was still holding up general publication, but that I did plan to make copies of these documents available to the appropriate congressional committees, for their official use.

On Monday, March 14, at the regular noon briefing of the correspondents who cover the State Department, the State Department spokesman, Mr. Henry Suydam, announced this program. This announcement was premature, in the sense that it was made before Assistant Secretary Morton had had the opportunity to consult with the appropriate members of these committees.

Shortly after lunch on March 14, I saw news ticker reports which indicated that the chairmen generally preferred that their committees not take custody of the papers, but thought it would be better that the State Department make them generally public.

Assistant Secretary Morton confirmed this, and I then asked him to send the following letter to the respective congressional leaders:

> "Pursuant to congressional authorization and appropriation concerning special conference volumes the State Department has compiled the papers relating to the Yalta and Malta Conferences of 1945. It is deemed inadvisable at this time to issue these papers in volume for public distribution. Since, however, the papers have actually been compiled and since they may be of interest to your committee members in their official capacity, but not for publication, the Department of State will, if your committee so desires, make a limited number of copies available on a confidential basis."

These letters were written Monday evening, March 14, and delivered by hand on Tuesday morning, March 15.

The Tuesday morning press indicated that the delay in publication was widely ascribed to British objections. So, at 9 a.m. on Tuesday, March 15, I telephoned the British Ambassador. I expressed the view that, in the light of the wide public interest which had, by then, been aroused, it was better for Anglo-American relations to publish at once rather than to allow the impression to gain ground that the United Kingdom had something to hide—which was not the case. The Ambassador indicated his concurrence. I said I would advise Sir Anthony Eden of my views, and the Ambassador said he would do the same. He indicated that he felt confident that I would get a quick answer from Sir Anthony. Accordingly, at 10:30 a.m., I sent a message to Sir Anthony saying that I though it undesirable to perpetuate a situation which created an atmosphere of mystery and concealment, and that, accordingly, unless he felt strongly against it, I proposed to publish.

I should, at this point, observe that I had already carefully considered the possible impact of publication upon the international situation and particularly upon the pending ratification of the Paris Accords by the German Bundesrat and the French Council. I had concluded that that impact would not be unfavorable.

At 10:30 on Tuesday morning, I spoke over the telephone with Senator George and informed him generally of the position and that I hoped shortly to be able to release the documents generally.

At 11 on Tuesday morning, I had my regular press conference, at which I said:

> "The Yalta papers are at the present time in galley-proof form. They are available here in the State Department for consultation on a restrictive basis by Members of the Congress who are on committees that might be concerned with them, and we are still studying the matter of their full publication."

While Assistant Secretary McCardle and I were preparing for my press conference, Mr. James Reston of the *New York Times* telephoned Assistant Secretary McCardle's office and left the following message for him:

> "Tell him while he is with the Secretary that I have had a long talk with George about the Yalta business and I think I ought to see the Secretary after the press conference if I can."

When my press conference was finished, Assistant Secretary McCardle brought Mr. Reston to my office. Mr. Reston said that his impression of his conversation with Senator George was that the Senator wished to see the Yalta record made public by the State Department. Mr. Reston urged that it was of the utmost importance that the papers be published as a whole and not in garbled form; that unless the *New York Times* did this, no one else would, but that this would be very expensive and take time. Therefore, if there was to be any comprehensive publication, they had to have an advance copy since it would involve setting up an enormous printing job.

I said that such matters fell under the jurisdiction of Mr. McCardle, Assistant Secretary of State for Public Affairs, who was a former newspaperman. Thereupon the two left.

"No Breach of Security"

I subsequently learned that Mr. McCardle gave a galley proof to Mr. Reston about 8:30 p.m. that evening (Tuesday). This involved an exercise by Mr. McCardle of a discretion that was his. It involved no breach of security. On November 5, I had taken and recorded a decision to publish without deletion on an expedited basis. This constituted authority to declassify under Executive Order 10501. The galley proofs, on March 3, were marked "For official use only," under Mr. McCardle's instructions. This was not a security classification but a purely internal classification which Mr. McCardle himself had imposed and which he had full authority to remove.

At 10:12 a.m. Wednesday, March 16, the British Ambassador phoned me that his Government agreed to publish and that a confirmation cable from London was on its way to me.

At 12:45 on Wednesday I lunched at the Capitol with Senators Knowland and Bridges. This appointment had been made 5 days before, on March 11. They mentioned that they had heard a rumor that the *New York Times* was going to publish the Yalta documents on March 17. I expressed surprise, but said that I thought that we would release the docu-

. . . "Timing was judged opportune in international situation"

ments that afternoon to all news media. When I returned for lunch, I found the confirmation cable from Sir Anthony Eden agreeing that we should now publish.

Also, shortly after I returned from my lunch with Senators Bridges and Knowland, Mr. James Hagerty phoned me that he, too, had heard that the *New York Times* was planning to run the Yalta papers the next morning and I made to him the same reply I made to the Senators, namely, that I planned a prompt general release.

At 3:45 I talked with Assistant Secretary McCardle and asked him to arrange promptly to release the documents generally. This was done and there was a general publication the next morning (Thursday, March 17).

II

The decision to publish the Malta-Yalta records required decision as to just what to publish. As to this I relied primarily upon Dr. George B. Noble, who has served as Chief of the Division of Historical Policy Research or of the Historical Division since 1946.

—USN&WR Photo

SECRETARY DULLES WITH MR. McCARDLE
Mr. McCardle used "a discretion that was his"

The task was not easy. There were no agreed tripartite minutes. The only records available are those which were made by certain members of the respective delegations. These were done on a national basis and no distinction was recognized between formal and informal conversations.

At the Paris Peace Conference of 1919, minutes were kept of the meetings not only of the Council of Ten, but for the most part of meetings of the Big Four (France, Great Britain, Italy, and the United States). These were circulated among the interested delegations and became substantially agreed minutes. These minutes, which have been published, contain many casual comments of the nature of those to be found in the records of the Yalta discussions.

Where the participants in a conference do not themselves make any distinction in their remarks, as by asking that certain remarks should be treated as off the record, it is extremely difficult for subsequent historians themselves to make the distinction. Secretary of State Stettinius in his volume did not eliminate all of the so-called chit-chat. The record published by the Department of State was the actual record as compiled by certain of the participants and supplied by them to the Department of State for its records.

The most complete record is that of Mr. Bohlen who acted as interpreter. Early in 1949 he had checked and cleared for accuracy the proofs of Mr. Stettinius' book, and in July 1949 Mr. Bohlen transmitted his own record to the Division of Historical Policy Research.

It will be recalled that the report of the Senate Appropriations Committee for fiscal 1955 called for publication of the unexpurgated record. I should, however, say that a very few casual or informal remarks have nevertheless been omitted which might have done harm without adding anything of substance to the record.

In some cases remarks which otherwise might have been omitted by the above test have been included because they had previously been incorporated in authoritative memoirs and given wide publicity. The harm, if any, was done, and omission in the official record would merely have served to raise question as to the validity of the publication.

III

To sum up:

1. At no time have I had any doubt about the desirability of publishing the story of Yalta. This, indeed, seems to have been the view of three of my predecessors who have held office since the Yalta conference. I have already quoted Mr. Stettinius, the Secretary of State at the time, as to how important he judged it for the public to know exactly what took place at Yalta. His successor as Secretary of State, Secretary Byrnes, published in his memoirs his notes on the Yalta Conference. Secretary of State Acheson early in 1949 cleared the publication by former Secretary Stettinius of his extensive record of the conference.

The view that there should be publication was not only an executive judgment, but also explicitly endorsed by the United States Congress which appropriated the funds for prompt and full publication.

It has been a matter of common knowledge for approximately 2 years that publication was in process, and this has seemed to meet with general approval.

2. The timing was judged opportune, in the light of the general international situation, and I think it has proved opportune. Furthermore, the timing was such as to avoid any approximation to a domestic election period.

3. When publication was finally agreed upon, there was full publication of the volume which covers the Yalta Conference. I believe that at least two newspapers, within a few hours of the release, carried the full text of about 300,000 words, while others carried very substantial portions. This served the indispensable purpose of assuring that the American people and interested peoples abroad would easily and quickly get the main story in full and not be dependent upon extracts which might have been selected for partisan purposes or for reasons of pure readability.

4. The Yalta papers are now where they belong—in the public domain.

In the issue of "U. S. News & World Report" dated March 25, 1955, the text of principal sections of the Yalta papers was published.

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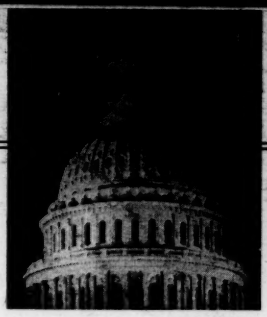

"FOUR-POWER" FANTASY

BY DAVID LAWRENCE

THE SPECTACLE presented by the governments at Paris, London and Washington in seeking a conference with the Government of Soviet Russia is that of a hungry suppliant begging for almost any crumbs from the table of the absolute monarch.

This is said not so much in criticism of the sincere men who are trying to formulate the policies of Great Britain, France and the United States as it is of the many leaders of public opinion in all three countries who have fallen victim to some unfortunate illusions.

For there is no denying the fact that the threats of a political opposition—selfishly seeking in each country to ascend to power by almost any means—are influential in compelling the incumbent administrations of the three allied nations to negotiate for peace with the enemies of our civilization.

The governments themselves lack the courage to lead and instead meekly follow the will-of-the-wisps of popular fancy. The line goes something like this: "We cannot refuse to sit down and talk. If nothing comes of it, at least the air will be cleared and we shall know where we are."

We have heard this form of self-deception expressed again and again just before each successive failure of the scores of conferences we have held in the past with representatives of the Soviet Union.

When will the statesmen of today begin to heed the lessons of yesterday?

For it is written in the blood-covered pages of history that in the periods preceding the outbreak of World War I and of World War II, respectively, vacillation and cringing fear on our side encouraged the aggressor and brought on the very conflict in arms that nobody wanted.

A third world war would be horrible, and it is the obligation of free peoples to assert constantly their abhorrence of mass killing. But we must do more. We cannot assume the transformation of evil men into saints.

The simple fact is that gangsters are in control of the governments at Moscow and Peiping, and they have intensified the "cold war" throughout North Africa and in the Middle East and in Southeast Asia. They have torn to pieces the armistice agreement they signed in Korea. They have stirred up rebellion in the South of Indo-China. They are actively fomenting trouble on every continent.

Meanwhile, speeches by some of the leaders of the Democratic Party in America, by Socialist Labor Party leaders in Great Britain and by opposition parties in France tell the Communist strategists that the free world is yielding to their propaganda and is being misled into the belief that a four-power conference is a magic device which will bring peace to the world.

What a terrible example of the craven spirit that has so often preceded the decline and downfall of empires in the past! What a frivolous indifference to the proved crimes of present-day aggressors!

If, to be sure, a four-power conference was to be a real negotiation such as diplomacy has many a time tried with useful results, it would not be conducted amid the fanfare of publicity which surrounds such occasions today. Ambassadors would canvass beforehand the possibilities and indeed lay the basis for mutual agreements. But the Soviets want to show their contempt for the West in public conferences to be reported by the press of the world. What better proof do we need of the insincerity of the Communist rulers?

Why do we shut our eyes to the facts of today? Is it because we prefer not to look at the truth and because we believe the aggressor has really changed? Does the recent resumption of the Berlin blockade and the imprisonment of our fliers in defiance of a written pledge for their release indicate that the leopard has changed his spots?

The big question involved in deciding whether or not to hold a four-power conference is this: Shall we enhance in their own lands the prestige of the temporary rulers of the Soviet Union and China by sitting down with them, and, by so doing, shall we encourage these same rulers to believe that, despite our military strength, we are willing to accept almost any concessions to avoid a war?

The people of Soviet Russia and of China want freedom just as we do. We must not tighten the hold of their oppressors on them. We must open the way for their liberation by refusing to deal with gangster governments. For those governments constantly threaten the peace of the world, and there can be no safety for anybody as long as they remain in power.

There is but one way to force the disintegration of the Communist empire. It is by forgetting four-power conferences and imposing a complete quarantine on the Communist regimes. This means extermination of their agents and conspirators from all free countries.

These enemies must be driven from within our gates. It makes no sense to endeavor to negotiate with the master minds of world conspiracy.

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